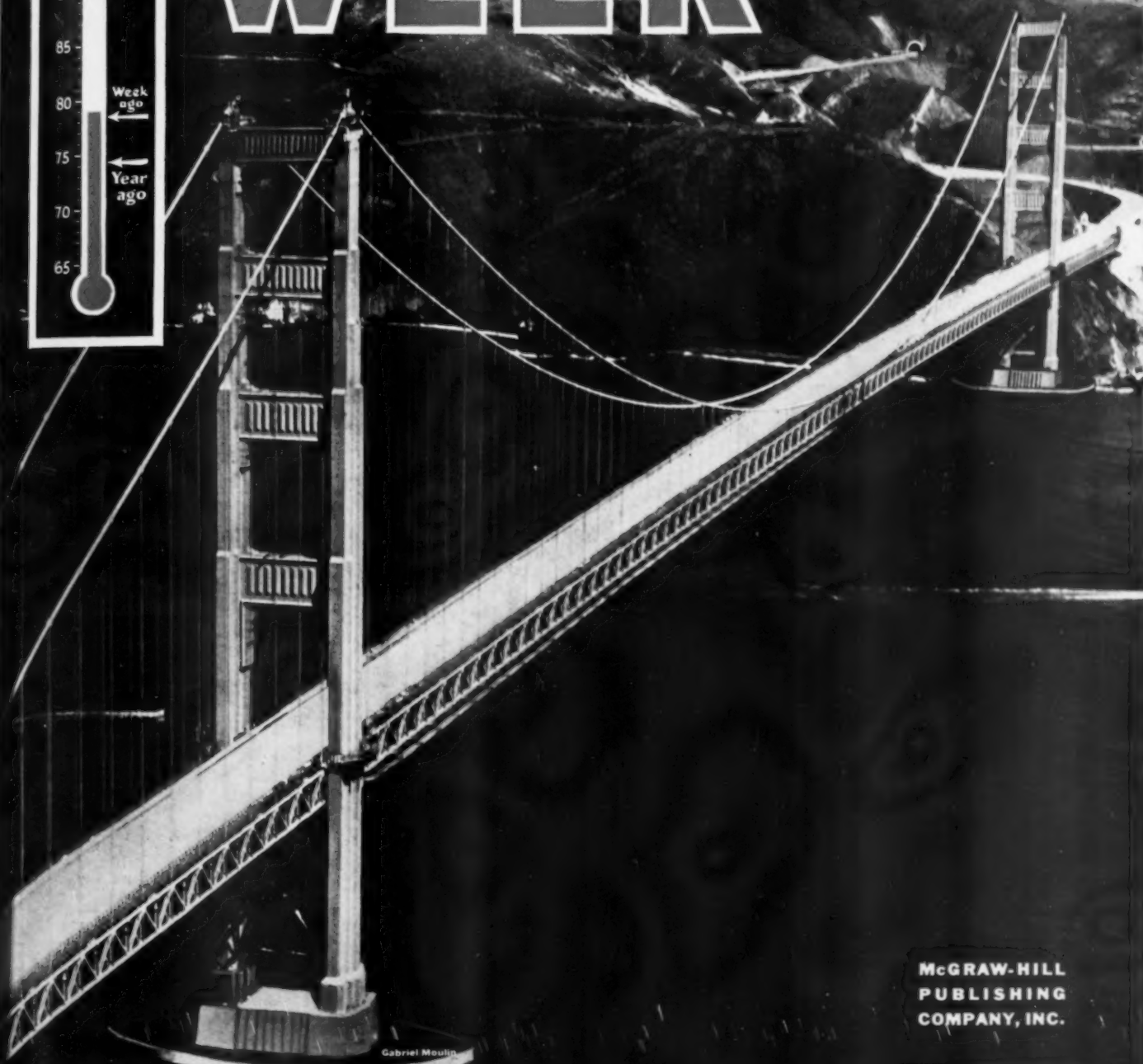


MAY 22
1937

MAY 25 1937

BUSINESS WEEK

BUSINESS
INDICATOR



Gabriel Moulin

BUSINESS LINK—The Golden Gate Bridge, second of the two great spans that remake San Francisco's business and real estate map, opens May 27.

McGRAW-HILL
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BLAZING NEW TRAILS TO PROFITS WITH

ENDURO

REPUBLIC'S PERFECTED STAINLESS
AND HEAT-RESISTING STEELS

General under Chemical Foundation
Patent No. 2,100,000

ENDURO TAKES THE RAIL OUT OF RAILING

No one rails at stair, hand, foot, towel, cafeteria or other rails when they are fabricated of strong ENDURO Stainless Steel tubing. The original lustrous finish will not tarnish or corrode, is clean and easy to keep clean indefinitely.



THESE SHELLS OF ENDURO EXPLODE HIGH COSTS

Dissatisfied with his electric furnace shells and their inability to withstand high heat, an annealer of strip steel now specifies ENDURO HCN—the high strength alloy with oxidation resistance to 2000° F. ENDURO is ideal for all types of heating equipment.



FOOD FLAVORS NEVER CHANGE WHILE IN ENDURO

As clean as porcelain—stronger than ordinary steel—these qualities have won for ENDURO the favor of food manufacturers. Recently, ENDURO in perforated sheets was used to fabricate the wheat cooker drum screens used by a famous cereal maker.



AS CLEAN AS THE DISHES IT WASHES

Dishwashers in homes and institutions stay clean, shining and sanitary when made of lustrous ENDURO. This modern metal is clean and easy to keep clean. It resists corrosion and wear—and it is solid stainless steel all the way through.



TOBACCO IS A HEAVY USER OF ENDURO

ENDURO reverses custom. Instead of using tobacco, it is used by tobacco manufacturers for various types of processing equipment—because it makes possible easy maintenance of absolutely clean and sanitary surfaces exposed to contact with tobacco.



MAN THE PUMPS— WITH ENDURO

Profits are forced up and costs down when shafts and other parts of pumps used in chemical, oil and salt water service are made of ENDURO—the metal that resists abrasion and the corrosive action of most acids and alkalis, crudes and salt water.



POSITIVE PROTECTION FOR PHOTOMURALS

To insure chemical purity in the wash tanks for huge photographic prints, a nationally-known photographer recently had tanks built of ENDURO—because this perfected stainless steel neither affects nor is affected by most chemical solutions, and is easy to clean.

Republic Steel

Corporation

For beauty, sanitation, corrosion-resistance or heat-resistance—with high strength and long life—no matter what you make—consider ENDURO Stainless Steel, trail blazer to better products and bigger profits. Write for information.

GENERAL OFFICES . . . CLEVELAND, OHIO
ALLOY STEEL DIVISION . MASSILLON, OHIO

When writing Republic Steel Corporation for further information, please address Department BW

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New Business

ENOUGH cannot be said in praise of Dick Merrill's "coronation flight." Press and radio could not fail to carry millions of words on the first commercial round-trip transatlantic flight, the first 2-way 3,000-mile airplane-to-airport radio telephone and telegraph communication, etc., etc. But, unless something more is said, the story of how the boys at New York Times put the coronation photographs, which Merrill carried, into a special Sunday rotogravure section and into the hands of its many readers may be lost forever. Here's the publishing schedule: 6:30 P.M. Friday, May 14, pictures received by editors; 7 P.M., pictures selected and shot to art department; 7:30, first page started to rotogravure plant; 9:30, last page; between then and the small hours of morning, Neo Gravure Printing Co. took up the manifold jobs of rephotographing, cylinder etching, and make-ready. The presses began to roll at exactly 7 A.M. Saturday.

ADD to public relations notes: International Nickel Co. is mailing to its shareholders a succinctly informative note on its new non-magnetic, corrosion-resistant "K" alloy. This combination of nickel-copper, which shows tensile strength of 145,000 lb. per sq.in., has been accepted by the government for valve stems in the Tygart River (W. Va.) Dam.

BANK OF AMERICA will build a branch at the 1939 Golden Gate International Exposition, San Francisco; expects to do a \$20,000,000 business with visitors, concessionaires, exposition employees, and exhibitors; will have exclusive banking privileges on the exposition grounds.

DR. H. STANLEY DWYER of New York University announces that animated cartoons projected on the ceilings of dentists' operating rooms are an antidote to children's fear. The principle should be extended to waiting room equipment in any number of offices that might be mentioned, as well as in hospital paternity rooms.

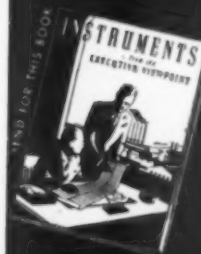
RECENTLY-negotiated ocean shipping contracts will save importers of Scotch whiskies the good round sum of \$200,000 during 1937, the estimate having

BUSINESS WEEK (with which is combined The Magazine of Business) May 22, 1937, No. 403. Published weekly by McGraw-Hill Publishing Company, Inc., Publication office, 99-129 North Broadway, Albany, N. Y. Editorial and executive offices, 330 W. 42nd St., New York, N. Y. James H. McGraw, Jr., Chairman; Malcolm Muir, President; James H. McGraw, Honorary Chairman; Owen Griensold, Vice-President and Editor; R. R. Putnam, Treasurer; D. C. McGraw, Secretary. \$5.00 per year in U. S. A., possessions, and Canada; \$7.50 per year in all other foreign countries; 25c per copy. Entered as second-class matter December 4, 1936 at the post office at Albany, N. Y., under the Act of March 3, 1879. Printed in U. S. A. Copyright 1937 by McGraw-Hill Publishing Company, Inc.

Shouldering RESPONSIBILITY FOR INDUSTRY



IN the cab of the modern Diesel powered locomotive gleam the round, white faces of instruments . . . Each moving indicator records for the alert engineer the speed and efficiency of his great motor; records for management each history-making run of these Twentieth Century super-carriers . . . So in industry, Instruments by Brown are at their 24 hour job, reporting and controlling every step in manufacture. The result, in addition to improved products is increased efficiency and large savings in plant dollars. Specific information concerning exactly what Instruments by Brown will accomplish in your plant, will be found in the booklet, "Instruments from the Executive Viewpoint." Write for a copy. THE BROWN INSTRUMENT COMPANY, 4525 Wayne Ave., Philadelphia.



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COPS and ROBBERS



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game for lawbreakers
where the Police use
RADIO!*

ARRESTS increase, crimes decrease, when radio telephone helps police to work more swiftly, more surely. ¶ Today more than 40 million people are given added protection by one make of equipment: Western Electric. States, counties, big cities, small towns, all have found Western Electric apparatus that's engineered to meet their exact needs. In service, it has proved its day and night dependability. ¶ Western Electric police radio—produced by the maker of Bell Telephones—will make *your* community a better, safer place to live. Urge the authorities to provide this added protection.

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Western Electric
Leaders in Sound-Transmission Apparatus

been based on 2,000,000 cases at 10¢ saving each.

CANADIAN Dow, Jones, Ltd. begins operation of nationwide Canadian news-ticker service, with news staffs organized at principal originating points. Welcoming the service, Sir Edward Beatty, Canadian Pacific chairman and president, says, "I regard it as highly important in the commercial and financial relations between the United States and Canada that an old established and reputable institution such as Dow, Jones, Ltd. should expand in this country . . ."

Most intelligent guess on the probable rates for proposed transatlantic airplane service should be that of J. H. Parkin, of the National Research Council: Passenger fare, \$500; mail rate 35¢-40¢ per oz.; package freight, \$1 per lb.

FARMER cooperatives step from gasoline sales to gasoline refineries. Several have already been located in parts of Texas where crude supply is most available. One of the largest, at Lubbock, which cost a group of farmers \$50,000, has a daily capacity of 500 bbl. of crude.

It is hard to resist a crack about beating swords into washing machines, when General Electric announces that it is moving into its lavishly equipped new Home Laundry Equipment Plant, Bridgeport, Conn., recently purchased from Remington Arms Co. The plant covers an area approximate to that occupied by the Radio City and Empire State Buildings combined.

"SAFETY Through Service," is the philosophic base of Chrysler's new unified service plan embracing all four motor divisions, Plymouth, Dodge, DeSoto, and Chrysler. Commercial objective of the service division is to "create satisfied owners in order to insure repeat car sales."

REQUESTS for its sound movie, "The March of Trade" (BW—Apr 10 '37, p1), having mounted into the hundreds, National City Bank of New York is compelled to tell Kiwanis Clubs, Chambers of Commerce, and other requesting organizations that the line forms on the right until more copies of the film can be produced.

SPEED will always be news, and Pennsylvania Railroad's study of high speed American trains, as reported in its *Train Talks*, is no exception. Of 357 selected daily passenger trains scheduled at 60 miles an hour or more, 165 roll down the Pennsy lines, including 30 at 65 miles, 8 at 70, and 2 at 75 miles an hour or over.

Washington Bulletin

WASHINGTON (*Business Week Bureau*)—President Roosevelt's statement that his labor legislation can be expected fairly soon is the first official hint of what has been repeatedly stated in *Business Week*: that, behind the court battle, future plans have been actually in the making. In his extremity on the court issue it is probable that he has decided to throw a bone to an impatient Congress, although it is still likely that neither labor nor farm bills will reach enactment this session. The new labor program is expected immediately after the Supreme Court's decision on the Social Security Act. The Administration anticipates that this decision will be favorable, will go even further than that on the Wagner Act in clearing the way for introduction of more New Deal legislation.

Labor Law Strategy

With Congress showing a desire to exert its normal functions, Washington observers are inclined to expect that the President's pattern for labor legislation will be confined to a message couched in general terms and that, at the outset at least, the handiwork of the Corcoran-Cohen team will not appear. By presenting the matter in this fashion, the White House would seem to be giving Congress its head.

Dictation Forsworn

The President's strategy in persuading Congress to come down off its high horse is revealed by his tactics on the farm bill. He declares that this would be a good thing, that the Department of Agriculture feels it is along the right line, but that it's not an Administration measure. Such qualified endorsement would have it appear that he will lose his enthusiasm for the measure if Congress does not agree. The same handling is indicated for the labor bill. If the farm bill came from farmers, or at least farm "leaders," the labor bill will appear as the spontaneous product of labor sources.

Not So Convincing

But if the President wants to convince Congress of a willingness to let legislation take a more normal course, his demonstration on the labor bill will have to be more convincing than that on the farm bill. On the Hill, the measure is not regarded as a farmer's bill but as the joint product of a farmers' brain trust and the Department of Agriculture. Farmers are not hollering for it in its present form and the vote of most congressmen for it would be nothing more than a rubber stamp.

FOR LABOR SHORTAGE

Evidence of skilled labor shortages presented by the federal Office of Education so impressed the House Appropriations Committee that, despite the economy wave, budget estimates for vocational education have been upped by \$4,326,000 to \$14,241,500. Of the total, \$7,241,500 is provided for expansion of state programs under the new George-Deen act which adds training in distribution occupations to schooling in the industrial trades, home economics and agriculture.

Chance to Save Face

Washington observers reckon it as a distinct possibility that, if he gets a favorable social security decision, the President will withdraw his court-enlargement bill on the claim that the court has seen the writing on the wall and that, especially since retirement of "die-hard" justices is proceeding, there is no longer any need for remaking the high nine.

After an About-Face

Even critics of the court plan admit that the White House fight has been an important factor, if not the only one, in the reversal of the court's attitude manifest in the various decisions on New Deal laws since the fight began. The burning desire of Chief Justice Hughes to "save the court" is generally believed to have turned the tide—in his own thinking and in that of at least one of his associates.

Political Incentives

By withdrawing "in triumph rather than in surrender" (as some of his advisers phrase it), the President can avoid putting his friends in the Senate and House on the spot and can make his opponents, especially a few like Senators Wheeler, Burke and O'Mahoney who have irritated him, look futile. And there is nothing a

politician hates quite so much as being held up before the public in such a light.

Chances Are Slight

It is now practically certain that a majority of the Senate would vote against the original court bill, if it were ever brought to a vote. It is doubtful if a majority could even be mustered for two additional justices and a fight to obtain this would run through the summer with constant attacks of an unpleasant nature on the President and Postmaster-General Farley, with various side-remarks on all kinds of topics that the White House would like to have forgotten.

Farming Interstate Commerce

The farm bill practically rests on the assumption that there isn't a court issue any more. It challenges the court to forget the AAA decision and go even further afield in defining interstate commerce than it did in the Wagner Act decisions, by including the individual farmer whose crops, in some degree, swell the nation's stocks and thus affect the general price structure.

Obeys—Or No Benefits

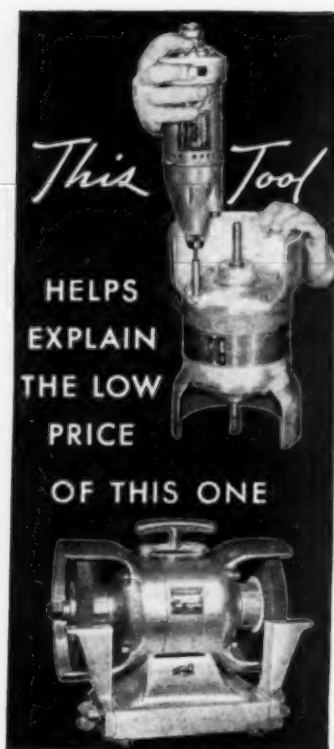
True, the non-cooperator guilty of "unfair agricultural practices" in selling more than his quota is not penalized directly if the sale is intrastate, but he is nevertheless shut off from any benefits he might otherwise collect from the federal government.

Blamed by Both Sides

The setback in the tide of business revival is the source of considerable angry debate in Washington. Labor leaders are indignant at intimations that strikes and labor disputes have slowed down production and buying. Labor is now inclined to accept a criticism of the Administration that is more common among its own critics—that the White House is frightening business executives who otherwise might have courage to push on. Pleased by the original drop in prices following the President's blast, the Administration since has become concerned about the obvious effects on this year's corporation and private incomes, next year's tax returns.

Promises Forgotten?

Little has been heard about putting postmasters under civil service since the President took Landon up on the proposal during the campaign. Little has been heard since the President's trip to South America of the convention relaxing restrictions on imports of Argentine meat. The President scored heavily on both but both, with prospects never very bright, are now so entangled in political strategy to



OUR new 6-Inch Junior Bench Grinder is a good example of how Portable Electric Tools save assembly time, and make it possible to turn out quality products at prices which stimulate volume sales. The low price of \$19.95 on this quality Grinder is partly explained by the time and labor saved through the use of Black & Decker Electric Screw Drivers and Wrenches in its assembly.

You, too, may have a production problem which can be solved by one of the many recent developments in Black & Decker Portable Electric Tools. Our new Catalog will bring you up-to-date on their many cost-cutting uses. Address: The Black & Decker Mfg. Co., 745 Pennsylvania Avenue, Towson, Maryland.

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**PORTABLE
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keep Democratic regulars in line that no action is in sight, this session at any rate.

Reorganization Shake-Down

By splitting the government reorganization bill into quarters the President will save something, but his broad plan, as tentatively outlined in the Brownlow report last January, is wrecked. The reaction of die-hard opponents of particular features to the decision to tackle the job piecemeal is so favorable as to be suspicious. Some chance is conceded for reorganization of the civil service, also for creation of two new departments, public works and public welfare, and for giving the President six assistants. Abolition of the comptroller-general's office and confining scrutiny of government expenditures to a post-audit has no chance. And a Congress that is beginning to assert its independence will not give the President carte blanche in reorganizing government agencies.

Economy Hopes Fade

Total cuts in government expenditures will reach nothing like the 10% proposed in horizontal reductions desired by some Capitol Hill leaders. No one has been able to estimate what the 15% discretionary cut desired by the President—which would permit him to pare any appropriation up to that amount—would mean on the total. But the Senate seems sure to put back many of the spectacular slashes the House is making in current appropriation bills. House members privately concede they will yield on the restorations. Net results of the drive promise little.

Support for Norris Plan

Despite contrary indications from the White House this week, qualified observers predict early Presidential endorsement of the Norris plan to multiply TVA's. They expect a message to Congress urging conservation by unified regional supervision of navigation, flood control, power development, and the erosion control and reforestation measures, grouped by the Administration under the newly-coined term "upstream engineering." But the \$40,000,000 TVA annual budget would not be multiplied by eight; there would be a period, coinciding with the economy drive, for organization and study. The rôle to be played by the National Resources Committee in the new setup is not yet clear, but it is significant that NRC has fallen heir to the palatial office of Secretary Ickes, vacated when he moved to a super-palatial suite in the new Interior building.

Hammering the Utilities

Senator Norris' bill to set up TVA-type controls over all major streams, with the next move up to the President, will cap the climax on a week of discouraging developments for the privately-owned utilities. From the courts came the dissolution of the TVA injunction and refusal of a stay to permit more leisurely appeal of last week's decision upholding PWA power allotments to municipalities. From the Senate, approval of a \$150,000 Federal Trade Commission investigation of utility propaganda against public ownership, with concurrence by the House a certainty. From the House, approval of the Interior Department appropriation bill carrying funds for Grand Coulee and Central Valley, substantially unaffected by the current rage for economy. From the Byrd committee on governmental reorganization, a recommendation that the Federal Power Commission be greatly expanded for more effective centralization of the government's power policies. Finally, from Nebraska, news that three PWA-backed public power and irrigation districts are completing negotiations to purchase four utility companies and set up an integrated public power system over a large section of the state.

Another Air Czar?

Besides the Interstate Commerce Commission, another contender for a share of regulatory power over aviation appeared this week. Grover Loening, old-time airplane builder, appointed aeronautical adviser to the Maritime Commission by Chairman Kennedy, began a study of the possible application of the shipping laws to overseas airplane and dirigible transport. Just as the Maritime Commission took ocean mail subsidies away from the post office, so it might take ocean air mail subsidies. And, almost certainly, there will have to be some division of safety regulation between the commission and the Bureau of Air Commerce.

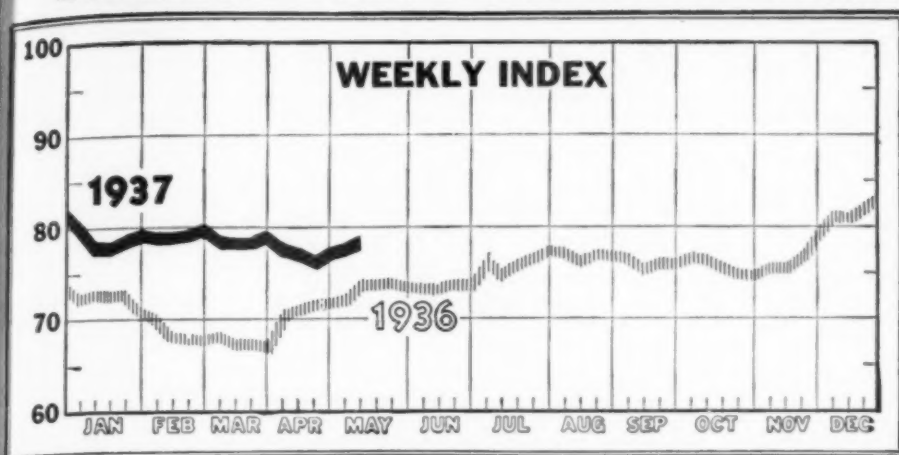
Opening the Block

Senate enactment of Barkley bill giving Interstate Commerce Commission broad authority to inspect and require installation of block signals and other safety devices on railroads is likely to prompt action in the House, where an attempt has been made to sidetrack it by asking commission for a report next session on the necessity for such legislation. Sponsored by the railroad unions, the bill does not have the commission's endorsement. It is opposed by the roads, as committing them to heavy expense, and transferring control from management to government.

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BUSINESS WEEK'S INDEX OF BUSINESS ACTIVITY



The Figures

Latest Week	79.0
Preceding Week	78.1
Month Ago	77.7
Year Ago	74.3
Average 1932-36	64.5

PRODUCTION

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1932-36
*Steel Ingot Operation (% of capacity).....	90.0	91.2	91.3	89.4	46.4
*Building Contracts (F. W. Dodge, daily average in thousands, 4-wk. basis)...	\$10,482	\$9,916	\$8,724	\$9,068	\$5,214
Engineering Construction Awards (Engineering News-Record, 4-wk. daily av.)	\$9,069	\$8,614	\$7,362	\$5,984	\$4,316
*Bituminous Coal (daily average, 1,000 tons).....	1,158	1,126	953	1,143	932
*Electric Power (million kw.-hr.).....	2,195	2,176	2,173	1,962	1,642

TRADE

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1932-36
Total Carloadings (daily average, 1,000 cars).....	128	130	119	111	97
*Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....	82	83	82	74	66
*Check Payments (outside N. Y. City, millions).....	\$4,401	\$4,828	\$4,448	\$3,804	\$3,159
*Money in Circulation (Wednesday series, millions).....	\$6,405	\$6,426	\$6,383	\$5,888	\$5,569

PRICES (Average for the week)

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1932-36
Wheat (No. 2, hard winter, Kansas City, bu.).....	\$1.30	\$1.30	\$1.30	\$0.93	\$0.81
Cotton (middling, New York, lb.).....	13.21¢	13.46¢	13.97¢	11.71¢	10.03¢
Iron and Steel (Steel, composite, ton).....	\$40.05	\$40.14	\$40.47	\$32.94	\$31.18
Copper (electrolytic, Connecticut Valley basis, lb.).....	14.000¢	14.000¢	15.167¢	9.500¢	7.881¢
Moody's Spot Commodity Price Index (Dec. 31, 1931=100).....	207.0	207.0	214.6	164.0	131.9

FINANCE

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1932-36
Bond Yields (Standard Statistics, average 45 bonds).....	4.40%	4.40%	4.39%	4.34%	5.34%
Interest Rates—Call Loans, Renewal, N. Y. Stock Exchange (daily average).....	1.00%	1.00%	1.00%	1.00%	1.15%
Interest Rates—Prime Commercial Paper, N. Y. City (4-6 months).....	1.00%	1.00%	1.00%	.75%	1.55%
Business Failures (Dun and Bradstreet, number).....	190	177	189	206	344

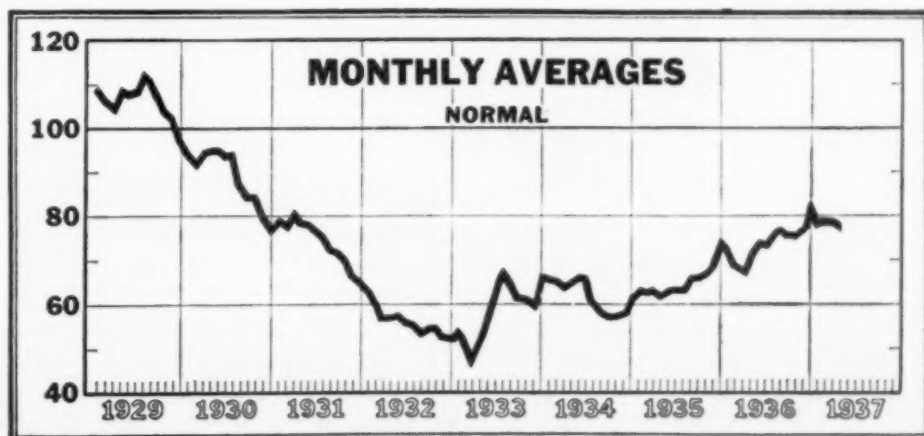
BANKING (Millions of dollars)

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1932-36
Total Federal Reserve Credit Outstanding (Wednesday series).....	2,576	2,577	2,528	2,469	2,333
Excess Reserves, all member banks (Wednesday series).....	940	890	1,627	2,774	1,467
Total Loans and Investments, reporting member banks.....	22,205	22,240	22,293	21,820	19,225
Commercial Loans, reporting member banks.....	4,998	4,981	4,932	3,955	3
Security Loans, reporting member banks.....	3,384	3,395	3,309	3,257	3,793
U. S. Gov't. and Gov't. Guaranteed Obligations Held, reporting member banks.....	9,487	9,499	9,640	10,161	8
Other Securities Held, reporting member banks.....	3,178	3,208	3,250	3,301	8

*Factor in Business Week Index. *Preliminary, Week Ended May 15. †Revised. ‡Not Available.

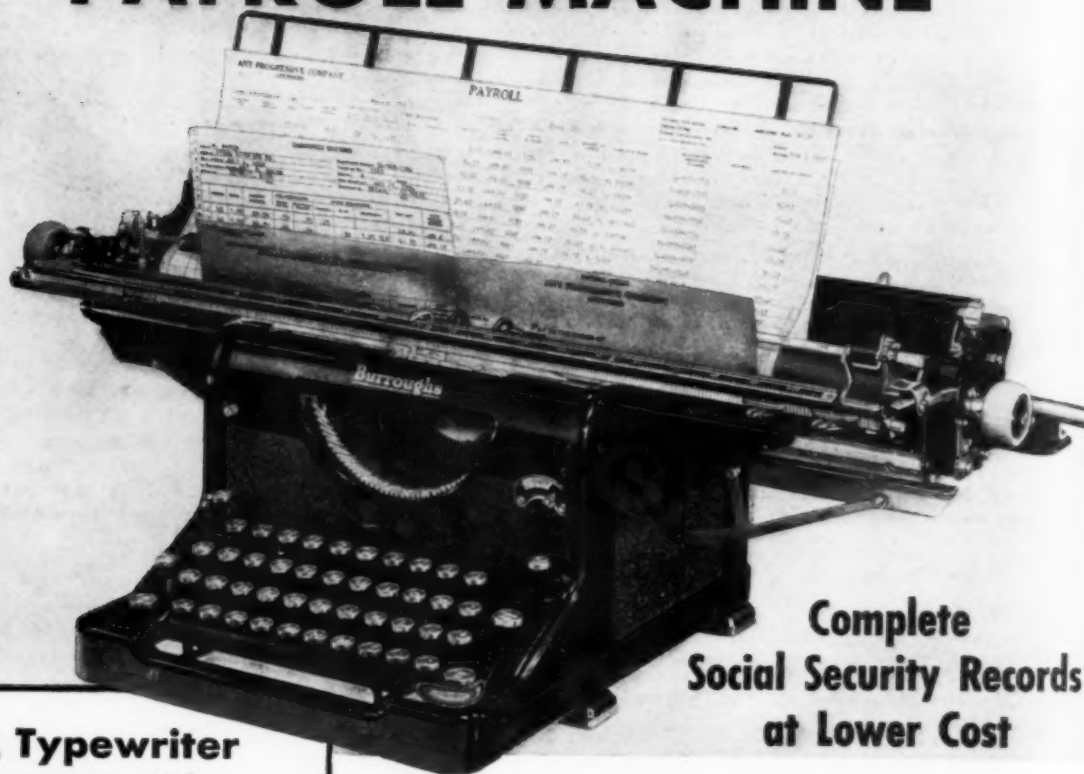
These monthly averages are merely simple averages of each month's weekly figures of Business Week's index of business activity presented in the chart at the top of the page. They enable readers to get a general view of the trend of business since 1929.

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NEW LOW-COST PAYROLL MACHINE



**Complete
Social Security Records
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BURROUGHS ADDING MACHINE CO., 6035 SECOND BLVD., DETROIT, MICH.

- ☐ Send me complete information about the new Burroughs Payroll Typewriter that writes four records in one operation.
- ☐ I should like to receive your booklet showing various ways to handle payroll records on Burroughs Computing Payroll Machines and Burroughs Typewriter Accounting Machines.

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The

NO unusual picture presented in cotton textile markets, going strong, making. Retailers. Speculation. Some weeks. Firming up. Reception of. Districts which. Sagging. This week.

Decision

Chain stores. From please. Court's decision. Louisiana. Have to strike. Against similar. Where.

Steel

Independence. Have been a. By the Steel. Committee. Laughlin election. For clues to. While General. Tried by some. Strikes in various. Hampered progress. The Committee. Organization against. Way, but difficult. There over the. Normally decided.

Machinery

April business. Tool manufacturing. Fondlest experience. A new. Shipments with. An influx of. Customers. Months' business. Comparable more. Of the speed. Building up.

Electric

Another. That is expected. Recovery (foreign). First-quarter. Electric and. Cal goods. Turners in the. Products for. Household. Orders exceeding. On record. Ordinarily the. Year is even.

The Business Outlook

NO unusual situations developed this week to alter the business picture presented over the past few weeks. New business is still slow in cotton textiles, moderately active in steel and non-ferrous metal markets, good in construction, electrical manufacturing, air conditioning, machine tool, lumber, farm equipment, and numerous other lines. Retail department store prices are still rising; so are building costs. Speculative commodities which have been under pressure for some weeks show symptoms of firming up, with the notable exception of scrap steel. Financial districts which are easily sobered by sagging security prices looked to this week's upturn hopefully.

Decision on Chain Tax

Chain store organizations were far from pleased with the Supreme Court's decision upholding the Louisiana chain store tax and will have to strengthen their defenses against similar discrimination elsewhere.

Steel and Auto Labor

Independent steel producers who have been approached for contracts by the Steel Workers' Organizing Committee studied the Jones & Laughlin election returns this week for clues to their fortunes. Meanwhile General Motors has been harried by some two score unauthorized strikes in various plants, that have hampered production. The drive of the Committee for Industrial Organization against Ford is well under way, but difficulties are not expected there over the next few months of normally declining production.

Machine Tool Record

April business booked by machine tool manufacturers exceeded the fondest expectations of trade observers. A new high of 282.5% of 1926 shipments was achieved, mainly by an influx of orders from domestic customers. This brings the first four months' business 89% ahead of comparable months of 1936, indicative of the speed with which industry is building up its production facilities.

Electrical Goods Gain

Another durable goods division that is experiencing remarkable recovery (forecast a few weeks ago in first-quarter statements of General Electric and Westinghouse) is electrical goods. Seventy-eight manufacturers in this field, which covers products for industrial as well as household use, reported first-quarter orders exceeding every similar period on record extending back to 1926. Ordinarily the second quarter of the year is even better than the first, and

AUTOMOBILE INNOVATION

Chalk up automatic transmission as a feature of 1938 automobiles. Oldsmobile made it optional this week in its current eight-cylinder models, making its adoption by several manufacturers for next year's models quite likely. Oldsmobile hopes the innovation will pep up summer sales, serve as "guinea pig" for next year's moves, and lend prestige to the maker for introducing a new vogue.

there is no reason to believe that 1937 will not follow suit.

Plants Mechanize Transport

Mechanization of transportation facilities within industrial plants by use of electrical trucks and tractors got a big boost when new orders for the single month of April equaled those of the entire first four months' period of 1935. First four months' orders are nearly double those of the same months of 1936.

Texas Cuts Oil Output

In view of continuing record outputs of crude oil, the trade is interested in the fact that Texas has decided to post a figure for allowable June production well below the current level, bringing it in line with the recommendation of the Bureau of Mines. Last week's sharp cut in gasoline stocks lends support to the bureau's estimate that May gasoline consumption would set a new all-time record by a margin of 1,000,000 bbl. The trade would not be surprised to see fuel oil prices for the 1937-38 season at higher levels than those that have recently prevailed.

Construction Costs Up

The steady climb in construction costs has given rise to some concern, and while there have been reports that some projects have been abandoned because of considerations of cost, the actual records of contract reveal no slackening in building enthusiasm. *Engineering News-*

Record's index of construction costs has been boosted to the highest level since 1920 by the steady rise in common labor rates. Wholesale building material prices have been climbing to the point where 1929 is now exceeded. The cost of constructing a standard small home, as estimated by the Federal Home Loan Bank Board, rose from 2% to 16% between January and April of this year in 25 out of 26 cities. Detroit headed the list with 16%, but it was in Great Falls, Mont., that the theoretical home rose to the high of \$7,125.

Lumber Wants Ships

Lumber interests on the West Coast have been complaining that the lack of intercoastal shipping facilities has held production down below levels warranted by the current boom in home building. In the first week of May, shipments actually fell below production for the country as a whole, though in previous weeks shipments were about 5% above current output.

Crude Rubber Consumption

The decline in crude rubber consumption in April can be laid at the door of strike difficulties which disrupted production at the Akron plant of Firestone. Nevertheless, the eagerness of the tire industry to build up stocks against further labor difficulties, as well as to prepare for substantial increases in demand, resulted during the first four months in a 14% increase in crude rubber consumption. At the same time reclaimed rubber consumption, stimulated by the sharp rise in crude rubber prices, increased 56%.

Fertilizer Has Big Gain

Fertilizer producers were pleasantly surprised to find April demand in 17 Southern states greater than in any previous April on record, with the one exception of 1930. In the first four months of 1937, these states accounted for a larger tonnage than the industry had been able to dispose of in the entire country for the whole year 1932. While no one expects this rate to be maintained for the balance of the year, the industry is confident it can challenge the last banner year, 1930, especially if farm income continues to give a good account of itself.

Boost Life Insurance

Observance of life insurance week this week brought at least two cheerful announcements to the fore: that new sales of insurance showed a gain over 1936 for three consecutive months, and that New York State has liberalized investment regulations of insurance companies, giving them new outlets for funds.

Annual Saving: \$16,800

Investment: \$3,900

TRUE, even if amazing!

The problem: A General Electric superintendent was dissatisfied with the cost and time required for producing certain flanged bushings. He sought the aid of G-E application engineers.

Solution: The substitution of a controlled-atmosphere electric brazing furnace in place of torch brazing.

Results: A superior, more uniform product, produced in less time; elimination of finishing operations; reduced cost of material; AND a monthly saving of \$1,400.

Any reputable electric equipment will operate — *but* you obtain the greatest profits possible **ONLY** when the correct equipment is skillfully applied to your job.

Not all savings made by modernization are so astonishing as this, but every day some manufacturer is reducing costs or making more profits than yesterday, because he secured the aid of G-E engineers.

Ask your operating men if there is not some "bottle neck" in your operations which might be eliminated. An electrical solution may prove highly profitable to you. Consult our nearest sales office. General Electric, Schenectady, N. Y.

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BUSINESS WEEK

MAY 22, 1937

Farm Market Best Since War

More dollars will go to farmers than since '29, and each dollar will buy more goods than it could in that year. New bill provides further aid.

THE 1937 farm market, when results are counted, will prove to have been the richest since the war. This year's gain in farm cash income seems sure to top 1936 by no less than 10%. The increase, on present indications, should be more evenly distributed than in any of the last three or four years. And the farm dollar has attained something pretty close to the long demanded "parity"—will stretch further than at any time since the war.

Discounting the optimism engendered by the best Midwestern spring rains in years, and weighing crop and livestock prospects in the light of price probabilities, this year's farm income should rise no less than \$790,000,000 to \$8,655,000,000. That would be the best total since 1929's \$10,479,000,000 and would be almost exactly double 1932's low of \$4,328,000,000. And because of the higher buying power, it makes the farm market even better than it was in '29.

What's Behind the Promise

Big factors in the probable gain are: Most crops from the 1937 harvest will be much larger than last year.

Prices may recede a little further from the recent highs, but will compare favorably, on the average, with any year since 1929.

Supplies of livestock (excepting sheep and lambs) are short and the outlook is for higher prices.

Consumer demand, both at home and abroad, will be as good or better than in 1936 while most surpluses have vanished.

Washington is ladling out whopping big benefit payments.

The year, from the standpoint of farm income, got off to a brilliant start. Cash from marketings of crops and livestock came to \$1,739,000,000 in the first quarter, and government payments on 1936 soil conservation contracts added \$207,000,000 for a total of \$1,946,000,000. This compares with a total of \$1,520,000,000 for the same 1936 period and \$1,468,000,000 in 1935.

The government still has about \$240,000,000 to disburse on last year's soil conservation contracts and these payments will continue to bolster the

showing. So far this year, these benefit payments have pulled even most of the states hardest hit by the 1936 drought into the plus column as compared with a year ago.

Until the new crops come in, however, the situation will continue a little spotty. States like the Dakotas, Nebraska, and Montana—which were burned to a crisp and have little in the way of either crops or livestock for sale—will continue their poor showings.

But even the severest drought areas have better prospects for the late months of 1937. There have been good rains in the Dakotas; so good, in fact, that spring wheat seeding has been retarded. The least favorable weather so far has been in parts of Montana, western Nebraska and Kansas, the Oklahoma panhandle, and, to a lesser extent, in western Washington and Oregon.

With these slight exceptions, prospects are fair to excellent. In a very few weeks the crop in most of the winter wheat belt (Kansas, Oklahoma,

and Texas are the biggest producers) will be assured. The season in the cotton belt, though late and a little too wet in the Southeast, has been favorable. Early truck crops are fair to good and prices have stabilized. The outlook for corn and spring wheat in the Middle West is good, although any predictions now are no more than guesses.

Higher Meat Prices

Turning to livestock, which accounts for the lion's share of farm income in many of the richest farming states, particularly in the Middle West, the prospect is for lighter slaughter runs but substantially higher prices later in the year. Marketings last year, particularly of hogs and beef cattle, were large due to the scarcity and high cost of feed, and the present count of livestock on farms is far below normal. Poultry prices, too, are rising on exceptional consumer demand although egg prices remain low.

The new federal farm bill (which so far hasn't had a White House "must" tacked onto it) comes along too late to be a factor in the 1937 outlook, even if passed at this session of Congress. Constitutionality aside, however, it will be of prime importance in future years.

It embodies most of the principles to



Cushing

WELCOME WATER—This year the Midwest finally had a good spring rainy season and great has been the rejoicing. Many communities turned prayer meetings into thanksgiving services for the rains. And though it's been a problem to get crops planted between rains, it's one gladly accepted. The rains mean a big increase in farm income, and that brings farmers on Saturday nights to towns like Creston, Iowa, pictured above, where the farmers' cars sit in the rain as they do the week's shopping.

which attention has been called frequently in *Business Week*—commodity surplus loans and the ever-normal granary to prevent marketings at distress prices; "voluntary" contracts to limit production to apparent consumptive demand plus penalties for marketing crops in excess of quotas; extension of the soil conservation and erosion program; the broad principle of "parity" prices, and a definition of parity as giving cotton, wheat, corn, rice, and tobacco the same purchasing power as in 1909-14.

The principal innovation is the flexible tariff for maintaining parity prices. The President would be authorized to raise or lower tariffs on the five leading farm commodities whenever prices threatened to go too far above or below parity.

Prospective cost of the new program is placed anywhere from \$400,000,000 to \$766,000,000 a year, but that doesn't apply to the 1937-38 crop year either. The soil conservation plan alone will be in force, and payments under this program probably will be substantially below the 1936-37 \$550,000,000, as the signup, though large, generally doesn't cover as many acres as last year.

Banks Demand Fees

Detroit depositors must keep \$400 balance and pay check and other charges.

It's just a coincidence, but it shows the way the banking mind is working. In April, the American Bankers Association politely tush-tushed no-minimum-balance checking accounts (*BW*—Apr 3 '37, p. 47), but approved the banking principle of putting depositors on a "pay-for-what-you-get" basis.

This week, from Detroit, comes a plan all set to go on June 1, embodying those precise principles, if not the precise A.B.A. formula for a metered checking service. The Detroit "new era" in banking charges comes after several years of discussion. As far back as 1933, Benjamin E. Young, vice-president of the National Bank of Detroit, suggested (in a book) the depositor-ought-to-pay theory.

And now, just to carry a commercial account in a Detroit bank without paying anything for the privilege, a depositor will have to have a minimum monthly average balance of \$400; that is for an idle account—without either drawing a check or making a single deposit.

Among the first to notify its depositors of the pay-for-what-you-get plan is the Manufacturers National Bank of Detroit, which has issued a card detailing the charges, as follows: (1) an account maintenance fee of 60¢ per month; (2) 3¢ for debit and

credit entries; (3) 1½¢ for each check deposited. After those levies are tallied, the depositor receives a credit offset at the rate of 2½% per annum on the average loanable balance—that is, the gross average balance less uncollected items and less necessary reserves.

Penalize Small Accounts

The schedule would seem to discourage accounts of less than a \$700 average monthly balance. Or, to put it differently, unless an account with a balance of less than \$700 is extremely inactive, a monthly charge will automatically be levied. For example, a depositor who draws 10 checks a month and who makes four deposits, consisting of four checks, would incur the following account costs:

Maintenance Cost.....	\$0.60
Debit and Credit entries.....	.42*
Checks deposited.....	.06

Total Cost of Account Transactions\$1.08

* Consisting of 10 checks drawn and four deposit items at 3¢ per item.

If a depositor carries a balance of \$500, he would have to pay a 33¢ monthly service charge to the bank on the above rate of activity. The bank carries reserves of 20% against his balance; that brings down the "loanable" balance to \$400; at a rate of 2½% per annum, the credit offset then becomes 75¢ a month to apply to the \$1.08 charge. Even a \$600 balance would call for a payment of 18¢; but on a balance above that, there might not be a debit, because the Detroit Clearing House plan provides that any charge of less than 15¢ may be waived.

When and if interest rates rise, so that the banks can allow a credit offset greater than 2½%, the net charge will be less onerous. Another ameliorating possibility would be reduction of the account maintenance levy.

No Standard Charges

The A.B.A., in its report, did not suggest any specific charges, either for maintenance or for individual items. These were to depend on the costs of the individual bank. In this respect, in so far as uniform charges were adopted by all the Detroit Clearing banks, the Detroit plan differs from the A.B.A. plan.

In its study, the A.B.A. refers to the work done by Mr. Young in cost accounting of banks, and his quick-analysis summary of 50¢ for maintenance, 3½¢ for checks and deposits, and 1½¢ for checks for collection, which was published in "Bank Cost Control," 1933, and which undoubtedly played a part in the Detroit program. Banks in Norristown, Pa., according to the A.B.A. report, instituted the pay-for-what-you-get plan at the beginning of this year.



International
FORDISMS—This week when Ford Motor Co. employees received their time-cards, they found attached a list of "Fordisms"—excerpts from public statements by Henry Ford on labor unions. Above, a group of Detroit workers read them. Homer Martin, head of U.A.W., attacked the "Fordisms" as coming within the Wagner Act's prohibition of overt acts on the part of employers in preventing unionization.

FORDISMS—

"A Monopoly of JOBS in this country is just as bad as a monopoly of BREAD!"

"Our men ought to consider whether it is necessary for them to PAY SOME OUTSIDER every month FOR THE PRIVILEGE OF WORKING at Ford's."

"What was the result of these strikes—merely that numbers of men put their neck into an IRON COLLAR. I'm only TRYING to SHOW WHO OWNS THE COLLAR."

"Figure it out for yourself. If you go into a union they have GOT YOU—but what have YOU got?"

"We have always made a better bargain for our men than an outsider COULD. We have never had to bargain against our men and we don't expect to begin now."

"There is no mystery about the connection between CORPORATION CONTROL and LABOR CONTROL. They are the TWO ENDS OF THE SAME ROPE. A little group of those who CONTROL BOTH CAPITAL AND LABOR will sit down in New York and settle PRICES, DIVIDENDS—AND WAGES."

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Cooking

"SUPER CHIEF"—WITH A FEATHER IN ITS CAP—The new Santa Fe stainless steel, Winton powered diesel-electric train made the 2,228 mile trip from Los Angeles to Chicago in the record time of 36 hours 49 minutes a few days ago. After its "preview" the train went into regular service May 18. Edward G. Budd Manufacturing Co. constructed the cars. Decorative appointments have "The Land of the Navajos" as their theme, reflected in murals, lamps, curtains, and shades.

Chain Tax Hurts But Doesn't Kill

Though Supreme Court sustains Huey Long's ingenious scheme, chains can find ways to offset the tax, even if some other states follow Louisiana.

THREE years ago one of America's smartest constitutional lawyers faced a tough problem. He wanted to enact a corporate tax which would exact a heavy toll from the big outside "vested interests" which he hated, without forcing tribute from similar interests within his own state. And Louisiana was "his" state in every sense of the word.

Revenge, Not Revenue

To Huey P. Long, revenue was no object; revenge for the assumed wrongs which big chain stores had done his little storekeepers with big votes was the motivating force. Justice was no consideration; indeed, discrimination was the avowed intent. But Huey, smart lawyer that he was, realized that discrimination had to be disguised if his law was to get by the United States Supreme Court.

Just how ingeniously Huey solved his problem became evident this week when that court upheld the Louisiana chain store tax law by a vote of 4 to 3 (Justices Van Devanter and Stone not voting).

The Louisiana law introduces a new twist to chain taxation in that the rate of the tax—from \$10 to \$550 per store—applied to the Louisiana outlets of a chain is determined by the total number of units operated by the corporation throughout the country as a whole. Thus the H. G. Hill Co., which has 92 stores, all of them within

Louisiana, will pay an annual tax of \$30 a store or a total of \$2,760, while a chain with more than 500 units throughout the nation (such as the Great Atlantic & Pacific Tea Co. with its 15,084 outlets, 106 of them in Louisiana) will pay a per store tax of \$550 or a total of \$50,600 on the same number of stores which Hill operates.

Chain store attorneys had attacked the law principally on the grounds that it effected an arbitrary and hence unconstitutional discrimination in favor of local chains, but Justice Roberts, speaking for the majority, bluntly asserted that the legislation was "impregnable to attack on these grounds." He said that "if the competitive advantages of a chain increase with the number of its component links, it is hard to see how these advantages cease at the state boundary."

Marketing authorities who regard that "if" as a pretty big one, were even more astounded when the justice cited A.&P.'s collection of \$8,105,000 in allowances, secret rebates, and brokerage fees during 1934 as evidence of a national chain's competitive advantages, disregarding completely the fact that the collection of such fees is now in large measure illegal under the Robinson-Patman Law.

Although they were not wholly disposed to accept the court's logic, neither were these same authorities impressed with the chains' gloomy prediction that

as a result of the court's action "The era of the national chain is over." Such protestations they were inclined to regard simply as courtroom histrionics—and this for a variety of reasons.

Even if the worst comes to pass and other states follow Louisiana's lead (as seems likely in Florida, Arkansas, and Oklahoma), the difficulties are not insurmountable. In the first place, it is argued that in states with small urban populations, most chains could dispense with their outlets—usually low-volume and relatively high-cost units—without serious loss. If, on the other hand, they want to hang onto their business in Louisiana, Florida, and elsewhere, consolidations can probably be effected which will have the triple result of eliminating outlets that hang on the borderline of profit, of lowering operating expense, and of minimizing the importance of the tax as it relates to the volume of individual stores.

Trend to Bigger and Better

Thus the trend toward larger and more efficient outlets may be accentuated. Most marked is the three-year development of Safeway Stores in this general direction. Since 1933 the average annual volume of a Safeway outlet has been stepped up from \$66,000 to \$102,000 last year.

If consolidation does not seem an adequate solution, the corporate chain can do as Standard Oil of Indiana and other chains did in Iowa, when that state's tax law, including a now-invalidated gross receipts levy as well as a per-store assessment, threatened profits. It can sell its stores to their present managers or other *entrepreneurs*, go into the wholesaling business, and thus convert itself from a corporate into a voluntary chain. This was what Pres. John A. Hartford of A.&P. said one year ago he would do in any state that enacted a punitive tax law.

May Hit Voluntaries

Of course, legislation may be devised that can exact toll from the voluntaries as well as the corporate chains, though it hasn't been tried yet, and probably it won't be successfully accomplished until another drafting genius like the late Huey Long appears. Not even the most wild-eyed lawyer thinks the provision in the Pennsylvania chain tax bill to forbid a chain to sell its stores to former employees would stand a chance of passing Supreme Court scrutiny. None the less, fear of the application of the tax to their cooperative organizations impelled 9,000 independent grocers to add their protests to those of the corporate chains against Gov. Earle's \$1 to \$500 levy, now approved by both houses of the legislature. And in Georgia the state attorney-general has indicated that he will try to stretch application of the

state's brand-new chain tax to include both types of chains.

Although it is apparent that little states as well as big ones can tax the national chains at the rate of \$500 to \$550 a store, it does not follow, as some have predicted, that such states could step up the ante by multiplying the assessment two, three, or a dozen times.

In stating the majority opinion, Justice Roberts was careful to relate the Louisiana tax of \$550 to the economic advantages of chain operation; and he pointed out that the allowances and discounts collected by A.&P. in 1934 averaged out to \$534 a store. It seems certain that any ambitious increase in the tax rate would invite court repudiation as confiscatory and not in line with any economic policy of equalizing competitive opportunities—the premise on which all chain store tax laws have been based.

Nor does it follow that even the general application of a \$500 rate would kill national chain distribution. Consider the biggest chain in the food field where such a general tax would hit most heavily. In the last fiscal year, A.&P. earned approximately \$1,100 per store on an average volume per unit of almost \$58,000. Thus, while a tax of \$500 would appear to eat up half the earnings on the present basis of operation, it would represent less than 1% of average store sales, and its effect could be largely offset by a price advance spread over a variety of lines and averaging out to that 1% figure.

Chains Retain Advantage

Nor would this price advance nullify the chain advantages accruing from efficient operation, for the Federal Trade Commission chain store investigation revealed that average selling prices quoted by independents in four big city markets, where competition is keenest, ranged from 5% to 7% above those of the chains. But the advantage of large national chains over small sectional chains in these cities was admittedly less than 1%. That explains why the big distributors are so exercised about the discriminatory Louisiana-type tax. But this type of tax is most threatening in the rural states where it is fair to assume that the national chains hold a clearer price advantage.

Finally, no such awesome calamity as a general \$500 chain store tax the country over actually impends. If it is argued that the chains' present taxation troubles are the results of some pretty hard-handed tactics employed in the past, so it follows that they may be abated by the enlightened public relations policies which chains have recently begun using.

The mass merchandising services

which they have rendered farmers in moving surplus supplies of beef, lamb, turkeys, potatoes, peaches, pears, apples, and citrus fruits at profitable prices have won them many friends. Specifically, such services turned the tide of the battle in California and caused the defeat of a proposed \$500 tax at a popular referendum last year; they led this year to the repeal of the \$50 tax in Maine, where the potato farmers came to the chains' rescue; and more recently they led to abandonment of the Florida recovery act which would have utterly outlawed chains. A fortnight ago, Charles F. Adams of the First National Stores, chairman of the agricultural relations committee of the National Association of Food Chains, warned the Florida Citrus Commission that passage of the Florida bill would "make it impossible for me to secure the nationwide cooperation so necessary to assist in marketing Florida crops."

Levies in Other States

During the past year, the chains have secured invalidation of Texas' stiff \$750 per store levy. Two new states, Georgia (\$200) and South Dakota (\$250) have been added to those taxing chains, aside from the Pennsylvania tax. Other tax bills pend in California, Connecticut, Illinois, Massachusetts, and Texas.

In 16 other states, chains must contend with the following maximum levies, already operative: Alabama (\$112.50), Colorado (\$300), Florida (\$400 plus 1/2% of gross receipts), Idaho (\$500), Indiana (\$150), Iowa (\$155), Kentucky (\$300), Louisiana (\$550), Maryland (\$150), Michigan (\$250), Minnesota (\$155, plus a gross receipts tax graduated to 1% which is now in litigation), Mississippi (\$300), Montana (\$30), North Carolina (\$225), South Carolina (\$150), Tennessee (15¢ on each \$100 of capital invested).

Diesels for B.&O. Run

A COUPLE more diesel-electric-powered trains will soon be on the rail transportation map of the country. This week the Baltimore & Ohio received from Electro-Motive Corp., division of General Motors, a 3,600-h.p. diesel-electric locomotive, and a similar unit is to be delivered later this month. They will be used to pull B.&O.'s Capitol Limited trains, running between Washington and Chicago.

Each locomotive consists of two 1,800-h.p. units coupled for multiple-unit operation from a single control station in the leading unit's cab. Motive power for each unit comes from two 900-h.p. V-type cylinder two-cycle Winton diesel engines. The electrical equipment is Westinghouse.

For Market Men

Here are facts on state's business ranking, based on volume and on population.

ON the opposite page appears *Business Week's* regular quarterly answer to the market man's query—"Where is business better, best, or not so good?" These market analyses have been a quarterly feature since early 1935, while the first annual analysis covered the year 1934 (*BW*—Feb 23 '35, p. 9).

Because population is such an important factor in determining sales volume, the handful of leading states vary little from one period to another. New York, Pennsylvania, California, Illinois, and Ohio are always likely to appear among the "big five" in any or all of the eight classifications under consideration here. (See *BW*—Mar 6 '37, p. 56.) But put the data on a per 1,000 population basis, and some interesting disclosures appear. While New York bought more passenger cars in the first quarter of 1937 than any other state, it does not even rank among the first 10 states when the population influence is removed. That distinction belongs to Wyoming which bought 11.6 cars per 1,000 population, followed by Nevada with 11.3, Michigan with 11.1, California with 10.8.

First on Trucks

A similar situation appears when commercial cars are subjected to the same analysis, though the Eastern Seaboard states of Florida and Delaware rank seventh and ninth, reflecting the demand of shippers of fruits and truck garden products. But first again comes Wyoming, with 2.7 cars per 1,000 population followed by New Mexico with 2.4, Montana with 2.3, Nevada with 2.3.

In the refrigerator line, the two ranking states in volume, New York and Pennsylvania, do not appear among the first 10 states at all when the population factor is removed. Connecticut bought the largest number of refrigerators in the first quarter, or 9.9 for every 1,000 persons, followed by California with 9.0, Utah with 8.9.

For life insurance, New York was able to maintain its first position both on a total volume and an adjusted-for-population basis.

On a regional basis, the Pacific Coast states as a whole rank first in sales of passenger cars and refrigerators, second in commercial cars, and third in life insurance, when the data is put on a per 1,000 population basis, and the Mountain states, which in point of volume ranked ninth in all four of these categories, jump to third place in sales of passenger cars, to first place in truck sales, and to fifth and sixth place in sales of refrigerators and life insurance.

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The Business Record, State by State

Percent Gain or Loss from First Quarter 1936 to First Quarter 1937

States by Regional Groups	 Passenger Car Sales	 Commercial Car Sales	 Household Refrigerator Sales	 Ordinary Life Insurance Sales	 Value of Checks Drawn	 Farm Income	 Electric Power Output	 Heavy Construction
New England	+53	+28	+61	+12	+11	+12	+13	-45
Maine	+77	+32	+22	+24	+10	+45	-4	-27
New Hampshire	+52	+8	+5	+12	+29	-0.1	+42	+38
Vermont	+56	+35	+70	+16	+18	-3	+46	-43
Massachusetts	+54	+35	+60	+8	+10	-10	+12	-59
Rhode Island	+43	+24	+56	+13	+20	-7	-20	-92
Connecticut	+45	+19	+89	+20	+11	+11	+16	+8
Middle Atlantic	+41	+24	+34	+5	+7	+16	+12	+61
New York	+34	+23	+35	+4	+6	+8	+11	+19
New Jersey	+33	+28	+13	+1	+10	+16	-4	+7
Pennsylvania	+58	+23	+45	+11	+18	+26	+19	+302
East North Central	+27	+10	+59	+8	+19	+26	+12	-29
Ohio	+20	+10	+66	+6	+21	+28	+17	-36
Indiana	+68	+16	+28	+3	+23	+27	+18	-41
Illinois	+32	+9	+53	+9	+18	+22	+5	-24
Michigan	+13	+10	+64	+11	+19	+40	+10	-23
Wisconsin	+30	+8	+102	+11	+15	+23	+10	-24
West North Central	+13	-1	+32	+2	+11	+19	+21	-20
Minnesota	+32	+3	+57	-2	+12	+21	+12	-59
Iowa	+21	+3	+50	+11	+9	+19	+12	+13
Missouri	+8	+1	+22	+3	+10	+5	+72	+62
North Dakota	+31	+7	+9	-13	+13	+42	+5	-66
South Dakota	+2	-21	+10	-23	+9	+10	+14	-63
Nebraska	-9	-19	+24	+5	+9	-1	+3	+14
Kansas	+12	-0.4	+23	-2	+12	+48	-3	-74
South Atlantic	+33	+17	+37	+10	+22	+30	+5	+14
Delaware	+25	+16	+49	-24	+25	+32	+23	+171
Maryland	+48	+35	+33	+4	+21	+33	+18	+3
Dist. of Columbia	+3	+29	-11	+15	+17	No data	-13	+2
Virginia	+23	+10	+29	+17	+20	+26	+22	-67
West Virginia	+18	+3	+39	+9	+22	+14	+10	-24
North Carolina	+48	+8	+38	+5	+24	+10	-25	+50
South Carolina	+47	+22	+43	+25	+23	+50	+15	+169
Georgia	+38	+19	+63	+12	+26	+51	+13	-59
Florida	+36	+25	+43	+15	+23	+27	+9	+134
East South Central	+9	-8	+20	+6	+21	+82	+4	-80
Kentucky	+10	-26	+5	-15	+14	+94	-17	-44
Tennessee	-11	-25	+33	+15	+23	+58	-14	-91
Alabama	+28	+11	+22	+17	+25	+53	+23	-52
Mississippi	+34	+24	+17	+20	+30	+129	+17	-56
West South Central	-7	-5	+12	+4	+19	+37	+14	-47
Arkansas	+14	+5	-7	+2	+20	+92	+148	-68
Louisiana	-9	+5	+2	+11	+24	+130	+1	-75
Oklahoma	-23	-24	-3	-7	+19	+20	+19	-0.4
Texas	-5	-4	+22	+8	+18	+21	+13	-41
Mountain	+9	-2	+14	+0.4	+19	+32	+35	-58
Montana	-9	-25	+29	-5	+6	+31	-8	-69
Idaho	+16	-11	+2	+5	+13	+55	+23	-30
Wyoming	+30	+21	+36	-8	+13	+31	+15	-32
Colorado	+20	+7	+38	+4	+21	+39	+15	-46
New Mexico	+11	+4	+14	+9	+28	+14	+16	-78
Arizona	+5	+3	-6	+7	+26	+5	+2	-32
Utah	+6	+10	+3	-15	+17	+25	+39	-88
Nevada	-19	-25	-0.4	+30	+19	+23	+2034	-26
Pacific	+14	+32	+5	+1	+16	+27	+2	-32
Washington	+8	-4	+21	-6	+16	+31	+7	-50
Oregon	+0.3	-5	-7	+18	+12	+30	+18	-75
California	+18	+62	+3	+0	+17	+25	-2	-22
UNITED STATES	+24	+10	+35	+6	+11	+28	+11	-14

(c) Business Week



LAUNCH FORD MOTORSHIP—Ford Motor Company scored two firsts last week with the launching of its new motorship in the River Rouge, Michigan. The 300-foot vessel is the world's first all-welded, rivet-less motorship, and the launching was the first in six years from Great Lakes shipyards.

Automatic Transmission—It's Here

Oldsmobile offers it as optional equipment on its eights, and other companies may follow in '38 season. Car prices may rise before then.

DETROIT (*Business Week Bureau*)—Smack in the middle of the year's biggest selling season, Oldsmobile is quietly introducing its much-heralded automatic transmission as optional equipment on its eights. Cars so equipped will be available first in the Detroit district and will be officially announced elsewhere as dealers are stocked. Extra cost will be \$80.

Chief reason for introducing this innovation now is that Oldsmobile wants full credit for pioneering the transmission, which probably will be used on some other General Motors cars next year. Also it will give an opportunity to see how the unit takes with the public before the '38 season, and it may stimulate sales this summer. The unit is being built for Oldsmobile at the Buick factory in Flint.

May Push Others Along

The story goes that Oldsmobile intended to put this transmission into its eights this year, but decided to wait awhile. Its decision to proceed at this time (seldom is such a step taken at the top of the spring selling season) is likely to precipitate similar action by other companies in '38.

The new transmission has four forward gears selected automatically through a device actuated by oil pressure and by engine speed. The gear shift lever is eliminated. The foot pedal is used only when going into reverse or when starting from a full stop. The driver controls the transmission by a short lever located below the steering wheel, which can be moved from neu-

tral into either of two forward gear ranges known as high and low. Low range includes first and second gears, and high range first, third, and fourth gears.

Fuel Saving Is Claimed

The driver can start in high range if his motor is warm or if he starts on level ground. In starting in low range, he depresses the clutch pedal, moves the control to low, and releases the clutch. As the transmission automatically changes to second gear, he turns the control to high and the car automatically goes into third and fourth speeds. If he starts in high range, the procedure is the same except that the gears automatically go from first to third and to fourth, the change to fourth being at 22 miles per hour. Fourth speed is known as the superdrive, with low ratio of engine speed to road speed, and with fuel saving of 12% to 18%. Oldsmobile says it is not an overdrive.

Detroit has heard much talk lately about automatic transmissions. Warner Gear has been pushing hard its monodrive transmission which has been installed on a number of buses. Evans Products Co., Detroit, is getting ready a plant to make its vacuum-operated gear-shifting mechanism. Hudson and Terraplane have been successfully promoting their "electric hand" device for shifting gears. However, no attempt is to be made to swing the industry over to automatic transmissions until the public approves them. If the demand is hot in '38, they will be more widely adopted in '39.

The big sales emphasis next year is likely to be on appearance (lacking many mechanical changes to talk about). There will be still wider bodies; despite all the ballyhoo about three riding comfortably in the front seat, most cars can stand roomier seats.

On most cars there will be more ornamentation. Stainless steel radiator grilles, now used in a limited way on Hudsons and Terraplanes, will be adopted by several companies. More stainless beading and trimming will be specified. Rust-proofing may be extended to bodies (Chrysler-built cars now have rust-proofed bodies). More plastic molded parts with smart coloring will be seen; one-piece molded instrument panels are likely. Latex will gain ground at the expense of steel for seat cushion springs. Experimentation with rubber car springs continues, but nothing is expected to develop in actual production the coming year.

Decentralization of car manufacture is planned by all three leading companies. General Motors is immersed in its forty million dollar program which includes increased parts and accessories production in cities extending from Anderson, Ind., to Rochester and Syracuse, N. Y.

Chrysler has just acquired the old Haynes plant at Kokomo, Ind., and will remodel it and equip it with new machinery to make transmissions, securing forgings from the Newcastle, Ind., division of Chrysler. The Kokomo plant will be operated by the Dodge division; it will give Chrysler two sources of transmissions inside the corporation (heretofore all transmissions have been made at Dodge in Detroit). The Buffalo district is atwitter over reported Chrysler expansion there, but such plans are unofficially denied.

Independents Spending

The itch for modernization has spread to independents. Nash will spend \$1,500,000 this summer to improve its Wisconsin plants (quashing rumors it intends to move to Detroit). Pierce-Arrow is reported to plan a modernization program. Packard has been quietly adding to its facilities.

Production costs are soaring. One independent says its manufacturing expense per car has risen \$28 in the last 90 days (which is more than its profit per car has been), and that isn't the top. So it is going to be tough to hold off higher retail car prices much longer. They may be staved off until the '38 year. It's true that many companies made materials commitments at favorable prices several months ago, but some of these have been raised to compensate parts makers for increased labor costs.

Another factor in higher operating costs is the reduced output per man compared with a year ago. The union

"Unforeseen events . . .

need not
~~so often~~ change and shape the course of man's affairs"



going . . . Going . . . GONE! . . . an old and treasured friendship

THERE'S ONE GOOD RULE to remember when a friend asks you to sign a surety bond, and that is: "Don't." In reality he's asking you to encumber your property, your earnings for years to come and to jeopardize your friendship. No friend would ask such a favor...and no friend would grant it...if either realized what an unnecessary risk the signer was taking.

How much safer . . . and how much better . . . to let the broad shoulders of The Maryland assume these bonding

responsibilities! The Maryland issues every form of judicial bond that may be required—executor, administrator, guardian, trustee and receiver . . . and all the forms involved in court proceedings.

.

There are 10,000 Maryland agents throughout the United States, Alaska, Canada, Cuba, Puerto Rico, the Canal Zone and Hawaii who are qualified to advise and assist the man who requires the protection of a judicial bond.

THE MARYLAND

MARYLAND CASUALTY COMPANY • BALTIMORE

The Maryland writes more than 20 bonding lines, including . . . Fidelity . . . Bankers' Blanket . . . Contract . . . Check Alteration and Forgery . . . Depository . . . Fraud . . . Public Official Bonds . . . Judicial. More than 40 types of Casualty Insurance, including . . . Aircraft . . . Engine . . . Automobile . . . Burglary . . . Boiler . . . Elevator . . . Accident and Health . . . Fly-Wheel . . . General Liability . . . Plate Glass . . . Electrical Machinery . . . Sprinkler Leakage . . . Water Damage . . . Workmen's Compensation.

drive has caused a tendency to do less work for the same pay (or more pay). Wherever possible, management is putting in multiple-operation machines to reduce costs.

Dealers are prospering. Despite record-smashing new car sales, used car stocks have not been troublesome and represent a normal five or six weeks' supply. The volume of trade-ins is following the usual course of rising to a peak in late May, to be followed by a steady descent until October. To handle the increased business, factories have expanded their own field staffs, besides adding dealers.

RCA Cuts Night Rates

BEGINNING June 1, night rates of R.C.A. Communications, Inc., will drop. That announcement came this week and follows the action of Western Union Telegraph and the Postal Telegraph & Cable in reducing charges on night letters (*BW*—May 8 '37, p. 35). Like the two telegraph companies, the radio company is radically modifying its night letter rates and giving more words for less money. But whereas the telegraph companies adopted a standard base tariff of 50¢ for 25 words anywhere in the United States, R.C.A. Communications will measure the cost on geographical separation of sender and receiver.

Money for Airports

They've got to be larger and cities are hard up, so U.S. eventually will help.

Two or three years hence, air transport planes will be too big and fast for most of the nation's airports. This creates two problems. One is for the Bureau of Air Commerce, which will be obliged to rule as inadequate many airports which it itself designed or approved in the last decade. The other problem is for several hundred American cities which have invested over \$400,000,000 in airports but now are faced with large added expenditures to bring them up to modern requirements.

The bureau's answer is frank acceptance of the responsibility, and a warning to builders that their big ships must be ruled off many airports under a program of scientific classification. The cities' answer, through the American Municipal Association, is that, even though they fell over themselves getting on the airway system, keeping up with it is too much of a good thing; that air traffic for which they built ports is largely interstate commerce anyway. So they will sit and wait for Uncle Sam to reach for the check. There are already two bills in Congress to that effect. Congress will be told again that it gave waterways to ships, right-of-



TELEVISION ON THE SCREEN—The development of a new high current electron gun by Dr. R. R. Law of the Radio Corporation of America makes possible the projection of television images almost 400% larger than those previously obtained. In the cathode ray tubes, which have been virtually standard in the television receivers built to date, the stream of electrons which traces the picture on the end of the tube has been diffused over an area approximately 7½ by 10 inches. Lights and shadows in the resultant pictures have been of insufficient intensity to permit of any "blow-up." In Dr. Law's new 18-inch receiving tube the electrons are focused into a beam so thin it passes through an opening too small to admit even a hair. This electronic pencil traces on the screen at the end of the tube a picture approximately 11½ by 21¼ inches which is so brilliant that it can be projected by a simple optical system on a screen 36 by 48 inches with a clarity comparable to that obtained in home motion pictures. Because concentration of the beam stream so intensifies the bombardment of the electrons, the tube's usefulness is short-lived.

ways to railroads, and highways to motors. Now it's time to ante in a big way for airways.

Result of the bureau's warning to builders will be, not rubbing the big ships off drawing boards, but flying them on express schedules across continent, leaving many present city ports as local stops. Outcome of the cities' position will be eventual federal appropriation of important money for airport development.

The government has already spread some \$75,000,000 on the country's 2,700 airports, through the Works Progress Administration and Harry Hopkins' earlier relief organizations, and a little through the Public Works Administration. But that is only a fraction of the municipal investment, which the air bureau finds in a current survey is near \$500,000,000 (including the government money). Half a dozen cities have spent more than \$5,000,000 apiece, operating costs are high, and very few show a profit. Those who do seem to ignore some of their charges in an effort to show efficient management.

Underground...

WROUGHT IRON

Lasts Longer



IF YOU are planning on pipe, tanks or conduits underground, review wrought iron's record before giving final approval. Wrought iron withstands corrosion and shifting soil conditions as no other ductile ferrous metal. Leading industrial engineers know its record and specify it wherever there is any question of corrosion. Your own engineers will be interested in "The Use of Wrought Iron in Underground Service," which has just been published. A. M. Byers Company. Established 1864. Pittsburgh, Boston, New York, Philadelphia, Washington, Chicago, St. Louis, Houston.

BYERS

GENUINE WROUGHT IRON
TUBULAR AND FLAT ROLLED PRODUCTS

Specify Byers Genuine Wrought Iron Pipe for corrosive services and Byers Steel Pipe for your other requirements.

Ban Old Gold Type of Contests?

Biggest and costliest competition in American advertising history ends. Post Office hints it will forbid another. Company doubles sales.

ONE week ago the biggest and most popular contest in American advertising history came to an end. This week, it seemed certain that another one like it would not take place for a good long time—if ever. For well-founded reports from Washington had it that the Post Office Department was prepared to clamp down on all contests of the cartoon-solution type such as Old Gold cigarettes have sponsored for the past 15 weeks.

There was no official pronouncement from any of Mr. Farley's aides, but for the past year department inspectors have been pushing inquiries into dozens of contests of the "who-could-this-be" or "how-many-mistakes-can-you-find" variety. The unprecedented success of Old Gold has only heightened the department's concern as to whether this type of contest violates the anti-lottery law, Section 213 of the United States penal code, which outlaws all gift enterprises or schemes in which the award of prizes is dependent either in whole or part upon lot or chance.

Now apparently the department has made up its mind, and until it is changed, say by a shift in department personnel, the thumbs-down policy will probably be binding, enforced not by

court order but by the persuasive words of advice from department inspectors. And since advertisers have too much at stake in a prize contest to risk one that might run afoul of the Post Office Department, and since publishers, who heretofore have been the exclusive sponsors of the guessing-game competitions, don't like to have their publications barred from the mails, that "advice" is apt to stand as the word of law.

In fact, it appears that the department had largely made up its mind about this type of competition before the Old Gold splurge, for after the preliminary test campaign in Philadelphia last year, which convinced P. Lorillard & Co. and advertising agents Lennen & Mitchell that the same tactics which sold newspapers could sell cigarettes, the Post Office was reluctant to give even a curbstone sanction to the national campaign.

Preliminary Workouts

The company claimed then that there was no element of chance in its contest, and it pointed out that the experts who developed the puzzles and the 50 guinea-pig schoolgirls who worked them out before publication were all agreed that each of the 90 drawings could only refer to one of the persons listed as possibilities below each cartoon.

The fact that the country today is virtually divided into two warring camps, one of which contends that puzzle No. 82 could only have alluded to Ouida and the other of which maintains that Jenny Lind is obviously intended, may suggest to the department that the contest wasn't as fool-proof or chance-proof as it was made out to be, even if it be admitted that many contestants overlooked minute qualifications such as the necessity of using every letter given as a clue. But essentially the department's attitude toward the contests does not derive from such technical considerations but from a belief that to permit guessing game contests is to invite a whole host of racketeering ventures—contests that are frauds on their very face, and dishonest parasites on honest contests.

In the closing weeks of the Old Gold contest there were at least 10 "authorities" who were doing a land-office business selling the correct answers ("not guaranteed" in small type) to all the Old Gold puzzles. The cigarette company, asserting that there could not possibly have been any leak and pointing out that the authorities themselves were in disagreement, took big space



**CHART
YOUR CALLS AND
SPOT YOUR TRAIN
FROM YOUR**

Hotel Cleveland
WINDOW

• At Hotel Cleveland you're in the very center of everything you came to Cleveland to see. Office and store buildings are to the east (five under our same roof); government buildings and the Great Lakes Exposition are just to the north; wholesale houses to the west; industrial plants up the valley to the south. And the Union Terminal, by which you enter the city, is connected with our lobby by a short covered passage.

Look out over the city from your Hotel Cleveland window. You can almost literally arrange your calls. Then after they're made (in less time because of the central location) come back to a comfortable quiet room or a cheerful cocktail-hour dance—which ever your fancy dictates.

Time for your train? No rush nor taxi fare. You could almost wait until you see it from your window, and then stroll over without going out of doors.

Yes, this is certainly Cleveland's most convenient hotel—but it's also the most comfortable and colorful. Try it and see.

**HOTEL
CLEVELAND**
Cleveland

**NOTICE: To Participants in
OLD GOLD'S \$200,000.00 Contest**

BEWARE OF CONTEST "TIPSTERS"!

Don't put your money or your trust in those "dope sheets" claiming to give the solutions to the Old Gold Puzzles.

It is a well-known fact that the contest is a game of chance and skill. The fact that the contest is a game of chance and skill is well known to all who are participating in the contest.

The contest is a game of chance and skill. The fact that the contest is a game of chance and skill is well known to all who are participating in the contest.

We want to emphasize that P. Lorillard & Co. is not responsible for the success or failure of the contest. The contest is a game of chance and skill. The fact that the contest is a game of chance and skill is well known to all who are participating in the contest.



CONTEST CLOSES MAY 15, 1937. ALL ENTRIES OR SUBMISSIONS MUST BE POSTMARKED BY OR BEFORE MIDNIGHT OF THAT DATE.

COOKING THE GOOSE — Self-styled "authorities," offering answers to the Old Gold \$200,000 cartoon-puzzle contest not only earned a rebuke for themselves from P. Lorillard & Co., which ran this ad in the closing days of the competition, but they brought down the wrath of the Post Office Department on all guessing-game contests. Result: a new department policy which means no more such contests.

Business Week



RAILROAD CABOOSE GOES MODERN—The old-styled caboose, brick red with a tiny cupola perched on top, is to be seen no more on the Milwaukee road, running between Chicago and the Pacific Coast. The cabooses are being remodelled

inside and out. The cupola is sheared off, and its purpose, providing a place where brakemen sit to see that the long train is all right, is served better by bay windows on each side of the car. The new cabooses are painted silver with black trimming.

to warn against racketeers, but the damage had been done. Hundreds of thousands of sets had been palmed off at prices ranging from a dime to a dollar. So the department feels called upon to stop the contest craze before it runs hog-wild.

What Will It Do to the Playoffs?

Just how that attitude will affect the playoffs which Old Gold has planned to break the almost inevitable ties is doubtful. New regulations which Old Gold is supposed to have devised to govern the playoffs may ease the situation; according to reports, contest offices would be established in a dozen or so principal cities from which mail could be distributed to any place in the United States within 24 hours; and after publication of the puzzles, finalists would be required to file answers at these regional offices within a time limit so brief that tipsters could not distribute their fraudulent answer sheets.

Such a system, whether used in the Old Gold playoffs, or adopted by sponsors of other puzzle contests—if there are any—would have the added virtue of easing one other big grievance which the department holds against super prize contests: it would distribute the burden of handling contest answers which as now handled deluge a single post office.

Approximately two million Old Gold contestants—about double the number boasted by any other single competition—addressed some thirty million letters to P. Lorillard & Co. in the past four months, and all of this mail, comparable to the ordinary postal traffic of a city the size of Boston, descended on the Varick St. substation of the New York Post Office. The tobacco company itself was forced to rent large mailing rooms and hire a staff of 900 clerks to sort and check replies, a 20-week job which won't be complete until the final announcement of winners some time next month.

These management costs, added to the million dollar investment in adver-

tising space and the \$200,000 prize money (double the highest amount ever offered before), are certain to bring the costs up to the \$2,000,000 mark. Skeptics who originally doubted the wisdom of such an expenditure have changed their tune. Apparently the contest is paying out, judging by these facts:

(1) Contestants sent in 90,000,000 empty Old Gold package wrappers. That means they paid out \$13,500,000 for 1,800,000,000 cigarettes, and probably most of these were consumed by other than regular Old Gold smokers.

(2) In any contest that really clicks, the direct sales to contestants are never as important as the incidental sales generated by direct advertising and popular interest. Last year, Old Gold accounted for 5% of total cigarette sales. With the contest in full blast during the first four months of this year, Old Gold virtually doubled its share of the business and scored a net sales gain probably exceeding 2,500,000,000 cigarettes. The big three, Camel, Lucky Strike, and Chesterfield, lost volume in about equal proportions.

Now Up to Competitors

(3) Although no one, including P. Lorillard, expects Old Gold to hold anything like 10% of the market during the balance of the year, the brand unquestionably has won thousands of new regular customers and it has at last achieved a national distribution equal to that of its three big competitors.

Disregarding the ever-present threat of lawsuits by disgruntled contestants, there is only one big liability awaiting Old Gold. After any big contest there is always a backlash of bitterness on the part of the losers. Its strength is commensurate with the popularity of the contest. Having held out hopes of a \$100,000 first prize award or at least of some one of the thousand other awards, Old Gold must now figure out how not to make two million enemies.

The follow-through, however, is just part of the whole business of staging

a contest today, and since Old Gold used the services of a professional contest agency, the staging of a graceful conclusion should be no harder than the problem of getting the contest off to a good start.

The rise of the expert contest operator during the past four or five years indicates how greatly American advertising has become contest conscious. There are half a dozen agencies, and they have elevated contest management to an exact science.

Expert Management Available

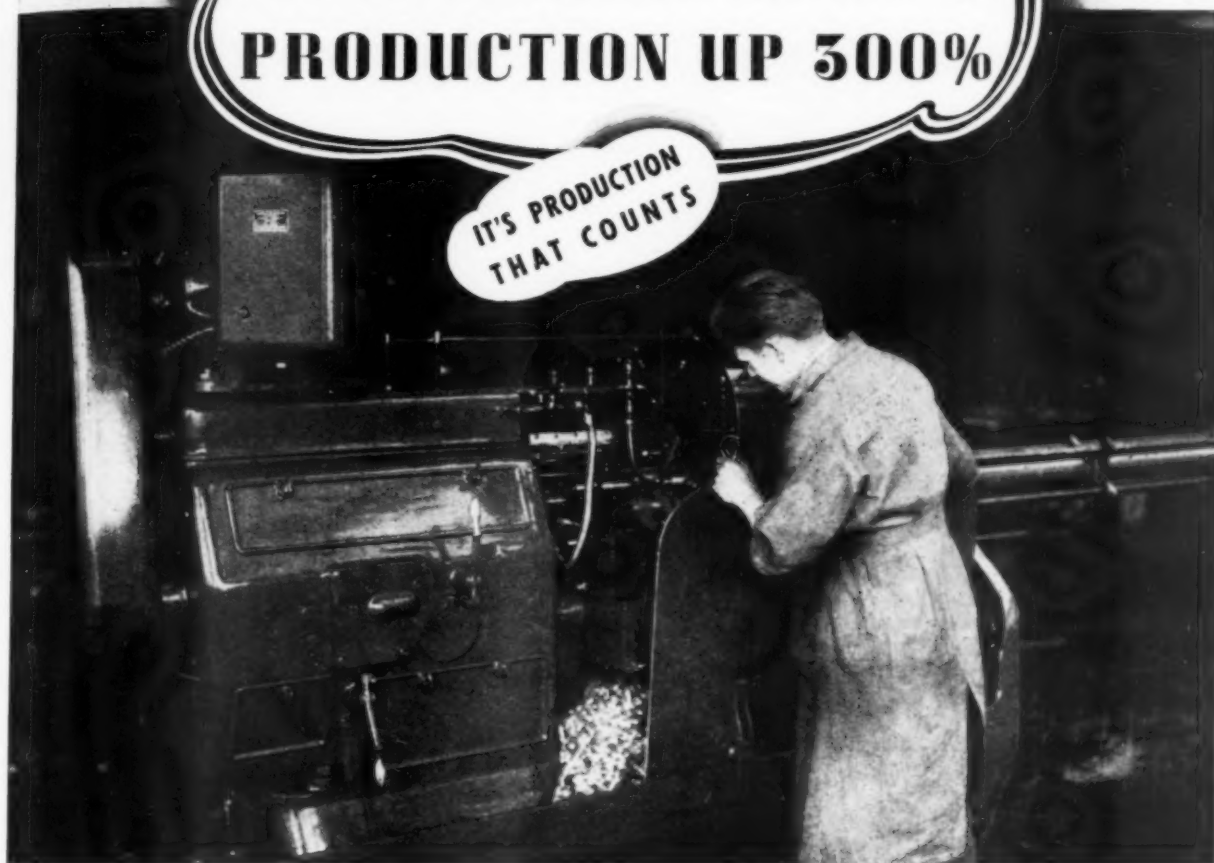
They know, for example, how to frame rules and regulations so that the manufacturer is fully protected in the event of litigation and so that the checking of answers is most efficient. (The vast majority of answers in any contest can usually be thrown out for violation of some simple technical rule such as failure to enclose enough coupons, late returns, or freak antics—someone always embroiders answers on a bedspread rather than writing them on a piece of paper.) They know how to keep most types of contest from being spoiled by the professional entrant who keeps abreast of all competitions through the medium of one of the three or four contest magazines. (In the May issue of *Contest Guide* one grateful subscriber boasts of winning prizes in 23 out of 32 contests last year.) Although these contest management experts are willing to step in and rescue a bedeviled advertiser at any stage of the game, they prefer to handle the affair from soup to nuts—from framing the type of contest most suitable to the clients' needs clear through to picking the final winners and satisfying the losers with some soft words of sympathy.

Interest Unlimited

Nor are they worried about the future of their profession. With interest whetted throughout the depression by foreign sweepstakes, consumers are more avid than ever for contests; ad-

**CUTTING SPEEDS UP 250%
PRODUCTION UP 300%**

**IT'S PRODUCTION
THAT COUNTS**



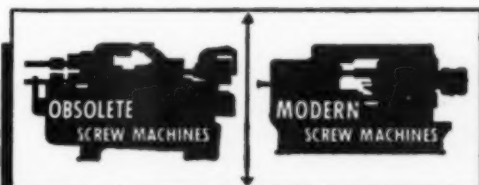
WHEN an eastern manufacturer embarked on a modernization program many automatic screw machines which were still giving satisfactory service were scrapped. National Acme Model R machines were installed.

What happened? With the use of improved bar stock and modern tooling, cutting speeds as much as two and one-half to three times greater were obtained. Many secondary operations were eliminated. Production in the department was upped 300%.

Perhaps you can make similar savings in your plant. Our 1937 model is heavier. Tooling is more accessible. Indexing is faster. Power is increased. The design is simplified so that every operation is speeded up.

As a result these new machines slice production costs—make obsolete many machines still in good running condition.

Why not let one of our field engineers look over your equipment—give you the whole money-saving story? There's no obligation. Write us today. The National Acme Co., Cleveland, O.



THE DIVIDING LINE BETWEEN PROFIT AND LOSS

NATIONAL ACME

Automatic Screw Machines... Automatic Chucking Machines... Dies and Taps... Positive Centrifuges... The Chronolog... Contract Manufacturing

vertisers, the experts say, are completely sold on contests as an economical means of doing a sampling job—generally regarded as the most effective but most expensive type of advertising.

The Post Office Department may crack down on puzzle contests, but the ever-popular "why-I-like-it" competition in all its thousand variations is certain to remain clear of official displeasure, and this is the contest expert's

chief stock in trade. It may not be the most exciting theme in the world, but elements of novelty and human interest can be injected into it; Pebeco toothpaste, Camay soap, and Johnson's wax are cashing in on the popularity of trailers by offering these as prizes in current competitions. Year in and year out the "why-I-like-it" contest, building up genuine consumer interest in a product, has proved most resultful.

Beer and Liquor Barrier

Shipping brewers seek to equalize competition with local brands by state "anti-discrimination" laws which have whisky industry badly worried.

WHILE the beer industry calls loudly for a "united front" to fight off the rallying prohibitionists, its ranks are broken by an independent charge on the part of the big "shipping brewers." Beer makers with national distribution (notably Anheuser-Busch and Pabst) have stepped out with a drive in state legislatures for an anti-discrimination law. It would protect the enacting states against shipments from all states which discriminated against it.

The most sensational feature of the law is that it applies not only to beer but to all alcoholic beverage. It specifically includes liquor, beer, spirits, and wine. Liquor interests are in a dreadful state. Such a law would, in many cases, prevent all liquor entering the enacting commonwealth.

Briefly, state laws protect local breweries by imposing handicaps on out-of-state competition. The big national

breweries hope to force states to remove these discriminations and allow beer sales on an equal footing. Their weapon is the anti-discrimination bill (which critics say is the most discriminating of all). Its passage is accompanied by repeal of previous inequitable measures.

One mystery in the drive is the reason for including liquor. Perhaps the bill's proponents seek to promote the removal of irritants by applying the most powerful counter-irritant they can concoct. At any rate it has induced liquor interests to throw their influence on the side of the local brewers.

Here is another move toward "state nationalism" that is building up so many of those barriers which the federal constitution sought to wipe out. Missouri has passed an "Anti-Discrimination" act which has been signed by the governor. It goes into effect 90

days after the legislature adjourns, then allows the attorney-general 30 days for notifying offending states, then grants shippers a 45-day additional spell for withdrawing from the Missouri market. The legislature is still in session.

Missouri Will Thirst

Lawyers who have studied the measure declare a strict enforcement will cut off Missouri from all legal supplies of hard liquor. They assert that every state which now supplies Missouri with liquor discriminates in some of the ways specified by the act. And (they add) the state hasn't nearly enough of a spirits industry to quench its own thirst.

California's legislature has adopted a similar measure which now awaits the governor's signature. Here again the state would be shut off from outside highball materials if the law were strictly enforced, according to alarmed commentators. If it were not enforced, it is probable that California's militant dries would raise so much merry heck that the lid would be tightly applied. It is also charged that such an act would be a great boon to bootleggers who still do a surprisingly large business.

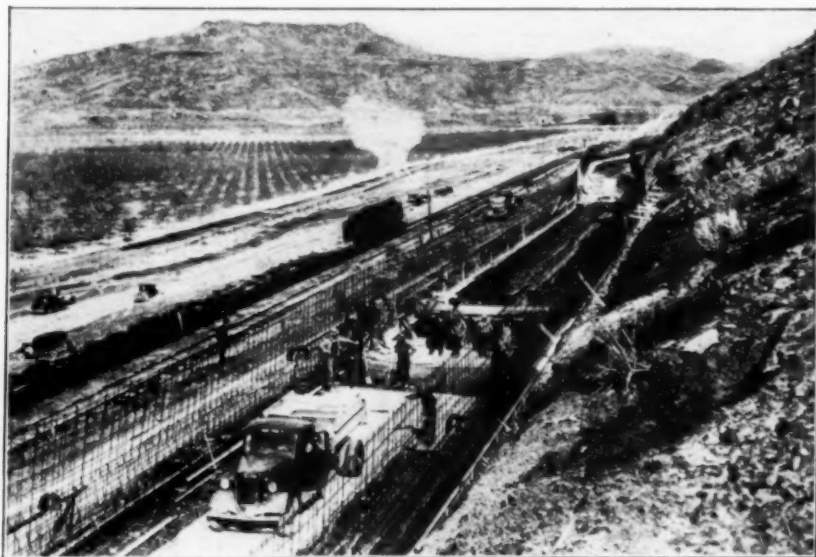
The law was drawn up by M. J. Donnelly, of Chicago. Mr. Donnelly is counsel for Busch, for Pabst, and for Brewing Industry, Inc., national organization of the large interstate brewers. Identical bills have been introduced in various legislatures. Alabama has adopted a version of the law. Bills on the Donnelly model are pending in Illinois, Wisconsin, Connecticut, Iowa, Ohio, and Nebraska have killed the proposal.

First question that arises is: "Why should Anheuser-Busch and Pabst push such legislation when it may result in keeping their products out of many states?"

Curious Philosophy

Curious as it seems, the philosophy back of the move is the elimination of state barriers. In the case of both Missouri and California, when the legislatures passed the anti-discrimination bill, they simultaneously repealed all laws discriminating against other states on beer, wines, and liquor. Thus, proponents of the law argue, if all states passed the act and at the same time repealed their protective measures, the entire United States would be without interstate discriminations.

Opponents of the measure retort, however, that the reaction is going to be just the opposite. They say that if you hit a man over the head with a club you provoke in that person a human yearning to hit back harder, with a bigger stick. Pennsylvania is considering a bill that would keep out of the state all beer from states discriminating



WATER TO THE DESERT—The main canal of the Payette Division of the Boise, Idaho, Federal Reclamation Project, now under construction by the Bureau of Reclamation, will run through this flume. A trainload of reinforcing steel is arriving at the scene of the work in the foothills of the Payette Valley.

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against its beverages. Missouri (and Anheuser-Busch's) beer would be barred if the bill becomes law because Missouri's "anti-discrimination" act would prohibit the sale of Pennsylvania's whiskies, etc.

Automatic question number two is: "How about the Missouri act's constitutionality?"

To the layman it would appear that the measure not only insults the interstate commerce clause of the federal Constitution but knocks it down and jumps all over it. Not so, say the lawyers. Their opinions are usually based on a recent decision in Ohio. Here the state supreme court held that the Ohio equalization act (permitting the state to levy a tax on beer from out-state equal to the tax levied by the originating state on Ohio beer) was Constitutional. Attorneys think it possible that the United States Supreme Court would uphold this decision; point out that the anti-discrimination laws might squeeze through on the same reasoning.

Underlying cause of the trouble is the manner in which the brewery industry was hastily reconstructed following repeal. Factors worked against the shipping brewer's regaining his old percentage of the market. Transportation and material costs had risen. Then every state tried desperately to protect its own reviving beer business as a means of making jobs and increasing revenue. Legislation and rulings laid a heavy load on beer from other states. It took the form of special taxes, higher license fees for distributors, harassments for salesmen handling out-state brews. Mr. Donnelly's anti-discrimination measure specifies the laws and regulations which the irate shipping brewers consider unjust distinctions.

Dubious on Building Boom

AN investment counsel firm this week issued a report on the construction industry, which stands out for two reasons: (1) because it comes from a type of organization which usually charges for investment judgment, but which in this case has made its findings general information and (2) because it is bearish rather than bullish.

The report "Building—Problems in Scarcity," by Young Management Corp., contains charts, tables and lots of inductive and deductive reasoning. The thesis is that there is a huge potential demand for housing, but that means of financing a building boom are not too easy. There are still some dirty mortgage situations overhanging the new financing market for private homes, and lenders are not over-anxious to advance funds without amortization contracts. Moreover, a shortage of skilled labor and advancing prices place a ceiling on potential expansion. Hence, the advice on building shares is: caution.

DULL LETTERHEADS

YOUR LETTERHEAD?

MR. BRIMLEY
MORTON
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DEAR SIR

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KILL LETTERS

The life and sparkle of letters rest in their whiteness. To a bank president or to a thousand prospects, you can give your message added power and greater distinction by putting it on this super-white Hamilton Bond.

The printer will tell you Hamilton Bond has a wonderful printing surface. Your secretary will like its fine finish, its clean type reception, its freedom from erasure smear. Your own good taste will value its crackling quality for letters and envelopes. Your treasurer will love its below-average price.

Ideal for every business use are the 12 fine colors of Hamilton Bond. They are included in a portfolio of outstanding letterheads we'll be glad to mail. Write for them.



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Golden Gate Bridge to Aid Business

Redwood Empire north of San Francisco will be connected with markets to the south. Real estate shift expected. Bridge celebration next week.

CALIFORNIA business men will take a few days off next week (May 27—June 2) to join in the festivities celebrating completion of the Golden Gate Bridge, world's longest-tallest single suspension span, the second of the two great links welding the communities surrounding San Francisco Bay into one unified area of 1,250,000 persons.

The Golden Gate has been a barrier to land travel northward ever since there were men in San Francisco to travel. Next week, for the first time, men will be able to cross it easily, driv-shod, and without the aid of boats.

Business Effects Apparent

Like the structure that spans the bay to Oakland, the Golden Gate Bridge has stimulated business in northern and central California since its construction was begun on Jan. 5, 1933, as any project involving the expenditure of \$35,000,000 might be expected to do. But with its completion, business begins to feel its effects in earnest. Right off the bat there's the boost in retail trade that will result next week from the Golden Gate Bridge Fiesta organized on a more extensive scale than last fall's festivities opening the Oakland bridge. That glamorous affair brought 125,000 visitors to San Francisco and rang the cash registers to the tune of \$1,500,000. Nucleus of next week's throng will be 60,000 officers and men of the fleet, personnel of more than 100 units of the navy fresh from long maneuvers in the Pacific. Of interest to the publicity brethren is the technique, new to celebrations, expositions, and fairs, of "highway participation," which means that "motor cavalcades" have been organized by fiesta promoters in the principal cities of the 11 Far Western states, Western Canada, and Mexico, to converge on the Golden Gate, stirring enthusiasm, gathering momentum (and fiesta-bound visitors) en route.

After the last cheering celebrant has departed, the contents of the city's cash registers have been counted, and the novelty of the new structure has worn off, the real long-range, continuous job that the bridge can do for business will begin to be apparent.

The bridge will connect, for the first time, the seven counties stretching north from San Francisco to the Oregon border (and known as the Redwood Empire) with markets to the south, especially the great buying areas in central and southern California. It will facilitate and increase the already lucra-

tive tourist traffic into the redwoods which now totals about 400,000 persons annually. Conversely, the bridge will open a new channel for San Francisco business into a territory whose retail sales are over \$70,000,000 a year.

The structure will probably change the living habits, and to a certain extent the buying centers, for thousands. Because metropolitan population invariably flows to high land outside a city wherever a new facility makes a suburban home accessible, a shift is expected from San Francisco to com-

munities within commuting distance to the north. On the other hand, elimination of the long, schedule-bound ferry trips from Sausalito to San Francisco will encourage suburbanites to come to the city to shop, dine, and attend the theater.

Redwood Industry Benefits

The redwood lumber industry will be one of the chief beneficiaries of the population shift (*BW*—Apr 17 '37, p. 41). The demand for redwood products for construction of new houses in the suburban areas of Marin and Sonoma counties, at the north end of the span, is expected to keep the mills humming, maintain employment, and stimulate retail business, especially in Humboldt and Mendocino counties where the redwood industry centers.

As for the Golden Gate Bridge itself, here are some of its features: Total length of the main structure is 8,940 ft. The suspension span, clearing 4,200 ft. in one beautiful sweep of twin cables, is 700 ft. longer than the span of the George Washington Bridge in New York. Its center is 230 ft. above water. The towers each contain 22,200 tons of steel, the largest steel members ever assembled. The cables suspending the roadway are 36½ in. in diameter, the largest bridge cables ever made, and 7,760 ft. long. Each contains more than 27,000 steel wires, more than 80,000 miles of wire in all.

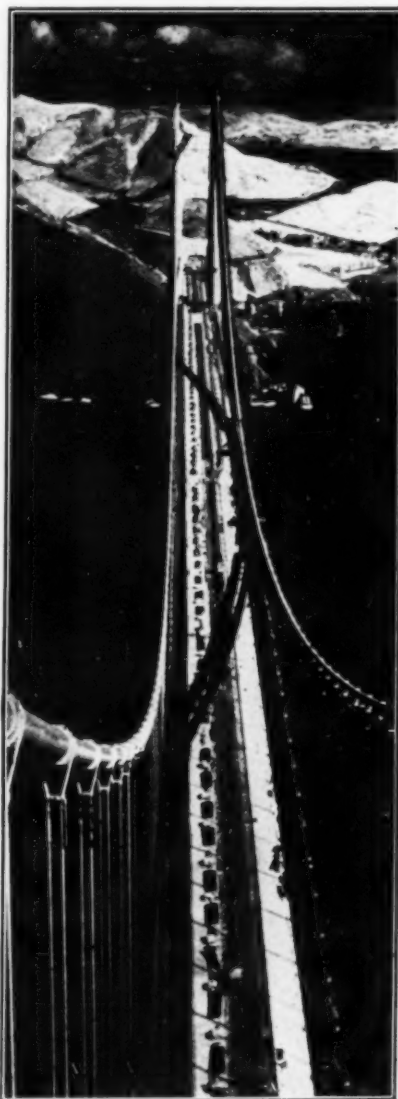
The roadway of the bridge, and of the approaches, has six lanes for automobiles, divided at the center by a strip of white concrete which makes a permanent center marker. The roadway extends out, at the toll plaza, to 14 toll lanes, two of them for trucks. The bridge has no railway facilities and accommodates only vehicular and pedestrian traffic.

About 5,000 vehicles an hour can be handled. Studies show that 2,000,000 vehicles will use it the first year and that traffic will increase about 5% annually for the first 10 years.

Proof Against Quakes

The whole bridge is designed to give under strain. With the pressure of a 100-mile-an-hour wind, the center of the main span will swing 21 ft. to either side. The same pressure will deflect the tops of the towers 12½ in. side-wise. Under maximum variations of load and temperature, the tops of the towers will move as much as 40 in., 18 in. toward the channel, 22 in. towards the shore. An earthquake, even of maximum intensity, is likely to affect the bridge less than the 100-mile-an-hour wind pressure, engineers maintain, because the bridge piers are set in solid rock, which seldom moves more than a fraction of an inch during earthquakes.

Many persons said it would be impossible to span the Golden Gate;



Standard Oil of California

OPEN FOR BUSINESS—The Golden Gate Bridge, world's longest and tallest span, opens a new route for San Francisco business into the rich territory to the north.

DECENTRALIZING ? ★



If you are thinking of decentralizing your manufacturing activities... if you are considering the advisability of establishing a Pacific Coast branch factory or distributing plant...

Then you and your executives should have our free book, "The Natural Industrial Center of the West". This apt slogan has been earned by Metropolitan Oakland because so many national manufacturers have proved it to be the most strategic West Coast point for serving a population of 13,000,000. Actually a center of centers:

The distribution center... most favored location geographically, and because of lowest average freight car days and freight rates.

The railroad center... the mainland terminus of four transcontinental systems.

The ocean shipping center... 40 lines to west and east, South America, Orient and Europe.

The riverways center... river boats low-cost transportation to inland cities and farm sections.

The airways center... Oakland Municipal Airport, the Alameda Naval Air Base, and trans-Pacific, nation-wide and coast-wise aviation companies center here.

The highways center... paved roads to all Coast points make truck deliveries easy and economical.

The industrial site center... 43 miles of sites parallel mainland waterfronts. Improved, unimproved, waterfront, tideland and inland sites.

The power, fuel and water center... heart of the hydro-electric power region with low rates. Natural gas and fuel oil provide unlimited cheap fuel.

Abundance of pure, soft water.

● How many copies of "The Natural Industrial Center of the West" will your executives need?

The facts, figures and photographs it contains will prove decidedly helpful in solving your Western location problems. Write for it, or use the coupon.

***** MAIL THE COUPON NOW! *****

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METROPOLITAN OAKLAND

...including BERKELEY the Home of the famed University of California

others maintained a suspension span of such length couldn't be constructed. The engineers built the southern tower in the open sea, which in itself surprised a lot of persons who thought such a feat impossible. That maneuver reduced the total length of the span by 1,000 ft. After that, steel was found for the cables strong enough to handle the vast remaining span.

Joseph B. Strauss, chief engineer, headed the distinguished group of builders which included: Clifford E. Paine, principal assistant engineer; Russell G. Cone, resident engineer; O. H. Ammann, Leon S. Moisseiff, Charles Derleth, Jr., consulting engineers; Irving F. Morrow, consulting architect; Sydney Taylor, Jr., consulting traffic engineer; Andrew C. Lawson, consulting geologist; and Allan E. Sedgwick, associate consulting geologist.

Employer Pays It All

STATE legislatures in their unemployment compensation acts have been tending in the last few months to abandon employee contributions, extend provisions to employers of one or more workers, and simplify administration, a recent survey shows.

Not one of the eight new laws passed since Jan. 1 provides for employee contributions; amendments of legislation in two states have abolished them. Of the 44 laws passed to date, only eight require them after this year.

Twelve laws, or nine more than last Dec. 1, include employers of one or more workers, in contrast with the older provisions covering employers of eight or more.

Behind the Steel Labor Scenes

Other industries, studying Jones & Laughlin's experience, can learn value of fact-finding. Both company and C.I.O. made tactical mistakes.

FOR nearly a year, now, unionization of steel workers has been a top endeavor for the industrial labor leaders. This week the advance still was being pressed and the second phase of the campaign was in its middle stages.

First phase, as pointed out in *Business Week*, has been organization and solicitation of new members who are promised that the union will get signed contracts with the steel companies as soon as it is able to count a majority of the shop workers on the rolls. This phase is still going on, but is past the tough period. Signing of the agreement with U.S. Steel, plus signing of sundry smaller contracts, plus the Wagner Act revitalization, plus successes of the Committee for Industrial Organization in other major industries, have eased the job of "selling" the workers.

The approach to the big independent steel mills began weeks ago, with feelers sent into the offices of Bethlehem, Republic, Youngstown Sheet & Tube, Jones & Laughlin, Crucible, and scattering smaller plants. Only J.&L. seemed inclined to talk with the Steel Workers Organizing Committee, at first.

In the background of the J.&L. conversations and the one-day strike which preceded the agreement for this week's shop election, are certain points which may be of value to every business which

is wondering when C.I.O. will rap on the door and ask full hospitality. Briefly, they are:

1. S.W.O.C. didn't expect trouble with J.&L. or Crucible, had concentrated on getting monthly dues paid by new union members, claimed an 80% majority in the big Aliquippa and Southside plants of J.&L.

2. The union men were confident that J.&L. would sign, and had permitted local lodge committeemen to engineer a strike vote which promised action if the agreement wasn't delivered by 6 p.m., May 12.

3. The company received last-minute checkups from the plants, May 12, which indicated that S.W.O.C. was running a bluff, that its claimed total of 20,000 supporters would be found to be nearer 3,000. Why sign? Some of the advice came from old, trusted workers, who said that the independent union formed in the shops recently was really the one to sign with.

Too Late to Stop It

4. After a day's fruitless debate between company officials and S.W.O.C. officials, the latter returned and tried to delay an immediate strike. For more than two hours past the deadline, Phil Murray, Dave McDonald, and other S.W.O.C. directors argued with the local committeemen. They were voted down, the strike was called, and the accumulated steam allowed to blow off.

Following all this, the air cleared to a great extent. The strike ended quickly, without much loss, the election was arranged, tempers cooled.

Biggest union mistake was in engineering the strike call, which could not be stopped without losing the edge of enthusiasm which had been whetted so carefully. Biggest company error was underestimating the strength of the S.W.O.C., which was revealed with the clamping-on of a tight plant closure.

Thus more apparent than ever was the need for education and careful fact-finding, on both sides. Fortunately, Pittsburgh is big, strong, and calm. This week's election, like last week's strike, was taken with discipline and good grace on all sides.

Prevalent business opinion in the steel center is: "Ride with the gale, bail out the boat if it leaks, and patch the leak. Steer carefully, keep all hands on the job. Business is still business, and if government and labor can take a hand in our affairs we can so conduct ourselves as to influence theirs."



NO SITDOWN HERE—Pretty obviously you can't do much sitting down in a barrel. So from that angle WPA officials had nothing to worry about when these New York artists and authors began picketing headquarters. Object of the demonstration was to protest diminishing WPA activity in the arts.

Farmers Join to Smash Strikes

17,000 in California prepare for battle in approaching harvest season. Members will serve as sheriffs' deputies. Movement spreads to other states.

CALIFORNIA farmers have organized for action on the fighting line during the strikes expected in the approaching harvest season. They have formed the Associated Farmers of California, Inc.

Agriculture is big business in California. The state produces 40% of all the fruits and vegetables grown in the country, and the prosperity of the average farmer depends on a single crop. If that doesn't move marketward on schedule, he stands a good chance of ruin. This vulnerable spot is well known to the labor strategists.

The Associated Farmers claims a membership of 17,000 in 42 counties, representing crops valued at \$400,000,000 annually. Incidentally, the movement is spreading to Oregon, Washington, Texas, and Arizona.

Taught by Experience

Agriculture learned during the Pacific Coast shipping strike last fall and, before that, in 1934, how the maritime unions can hold up shipment of their products to markets. The farmers learned last season in the Imperial Valley and in Salinas how a comparatively small labor group can prevent harvesting while fruit and vegetables rot. They learned in the recent strike of cannery workers in Stockton, Calif. (promoted by Harry Bridges' International Longshoremen's Association) how easily their products can be prevented from reaching the packing houses. Each of these lessons added impetus to the growth of a "united front."

In Stockton recently the growers got a taste of what organized power can do, and they liked it. During a complex situation which was rapidly getting out of hand, the farmer group put pressure on state officials, the cannery, and the old-line labor leaders, brought about the final showdown, and peace.

The charge is current that the Associated Farmers is a vigilante group and the organization is leaning over backward to avoid a reputation for belligerence. Rigid rules governing members of in battle have been concocted.

How It's Financed

From headquarters in San Francisco, the organization extends to 42 counties. Each unit is incorporated under state law and is independent in the conduct of its local affairs. Money comes from a nominal assessment on agricultural products. Roughly, it runs about 1¢ per ton on fresh fruits and vegetables, 1¢ a ton on milk, and 1¢ a bale on cotton.

So far, the number of organized farmers in California (17,000) exceeds the organized farm workers. Out of a total of 200,000 agricultural employees, only about 15,000 belong to a union. The Cannery & Agricultural Workers' Union, sponsored by the State Federation of Labor, is making some gains. In southern California, the Mexican Laborers' Union is strong in the Imperial Valley and the Los Angeles citrus regions. A small group connected with the Committee for Industrial Organization isn't making much headway.

The Bridges forces are the real threat to the farmers. In control of the waterfronts and, through their warehousemen's union, of the cold storage plants, and with their strength increasing in the trucking field, the I.L.A. and its allies hold the key to agriculture's markets. The battles that get the headlines this summer may take place on the farms, but the strategy will be devised in San Francisco at the headquarters of the Associated Farmers of California, Inc., and the I.L.A.

Air Traffic Grows

Despite crashes, more people are flying than last year. And freight also gains.

DIRE predictions that "this will knock the stuffing out of air travel" following last winter's series of fatal crashes, and subsequent viewings with alarm which kept the aviation industry dismayed, have pretty well blown away. More people are flying now than last year (which was a darned good year).

Full figures on April are not yet available, but those which are coming in show a continuation of the March upward turn. One company, American Airlines, reports April passenger-miles were 46% greater than for April, 1936.

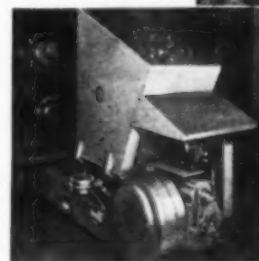
March, the country over, was a good month. The Bureau of Air Commerce totals show 74,972 passengers carried on scheduled air lines, as compared with 70,926 the previous March. February also was up from last year, despite the February air crashes.

Significant to business is the express record—580,602 lb. in March, 1937, as compared with 535,736 in March, 1936. And with mild weather, the totals are expected to hit new tops.

This week major airlines were busy installing warm-weather rates, which will be based on a charge of 5.7¢ per mi., cheaper than last year's 6.1¢.

YOU CAN PROFIT from His Experience

J. F. Palmer, President, Palmer Products, Inc., in front of his hunting lodge. Below: Heavy duty Iron Fireman stoker for commercial heating or power boilers developing up to 300 h.p.



Iron Fireman heating made good ...others failed



If you pay fuel bills you have the same opportunity to cut costs and improve heating service that Palmer Products had. Three years ago this well known company replaced another type of automatic firing equipment with an Iron Fireman automatic coal burner which feeds coal direct from bunker to boiler. J. Frederick Palmer, President, says: "Previous to the Iron Fireman installation, steam supply in cold weather was entirely inadequate to supply our requirements for processing and to keep our building comfortable. Not only has Iron Fireman provided better heat, but it has cut fuel costs as well."

IMMEDIATE DIVIDENDS

An Iron Fireman installation pays immediate dividends. It cuts fuel and labor costs, maintains steady heat or power, eliminates smoke nuisance.

A fuel and firing survey of your boiler room

will give you facts on Iron Fireman savings and betterments over your present firing method. Ask your dealer to make this survey. No cost or obligation. Or address the factory at 3201 W. 106th St., Cleveland, for catalog. Iron Fireman Mfg. Co., Portland, Oregon; Cleveland; Toronto. Dealers everywhere.



Mr. Palmer in his office, surrounded by trophies of big game hunts in the North Woods.



Plant of Palmer Products, Inc., Waukesha, Wisconsin.

IRON FIREMAN

AUTOMATIC COAL BURNER



PEDALLING PICKETS—The Philadelphia Storage Battery Co.'s plant is big and sprawled out. These two feminine strikers decided it was much too big to cover on foot. So they introduced a faster and easier method of picketing.

Unions Add White-Collar Members

Win most success in strong union towns, such as Akron, where some clerks belong to C.I.O. and others to A.F.L. Salesmen also join up.

WHITE collars and silk stockings are beginning to swing alongside of overalls and blue shirts with organized labor's wash. Office workers, automobile salesmen, pharmacists, and even insurance salesmen are joining unions, particularly in strongly organized centers.

Akron, an early proving ground of the Committee for Industrial Organization and the big union movement, furnishes an illustration of the spread of unionization in industrial centers. Tremendous pressure is going on to bring all employed groups into the fold of organized labor.

Nucleus in Important Fields

It can hardly be said that the white collar groups are flocking to the unions even in Akron, but sizable nuclei of union-minded men and women have been formed in the more important white-collar fields.

The office workers, clerks, stenographers, bookkeepers and a few secretaries were organized in Akron in the days of NRA and Section 7-a, when rubber workers were a small federal American Federation of Labor union.

The Office Workers Union, as planned originally, was to play an important part in organization of the gum shops. Representatives of the office workers sat in on the rubber workers' organization meetings. A.F.L. organizers painted a rosy picture of the rubber workers, the office workers, the machinists, the engineers, etc., marching forward in the rubber shops in one big happy craft-union family.

Then the C.I.O. came along, rolled the whole rubber organization works into its one big union, knocking the props out from under the pretty craft-organization picture. Office workers in the rubber shops who were union-minded became members of the United Rubber Workers C.I.O. union.

This left the office-workers' union still a federal labor setup under the wing of A.F.L. Its largest field, the rubber company offices, being closed to it, the union took in the office workers in the few 100% craft union shops and stores. It also took in the office workers in the rubber union offices, laying the groundwork for the only Akron office workers' sitdown.

The one and only labor dispute con-

ducted thus far by the office workers' union was a sitdown in the office of Goodrich local, United Rubber Workers, a year ago. The girl stenographers and clerks wanted more money.

"They want the world with a fence around it," said officers of the rubber workers. The office people got a raise after tying up union business for the better part of a day.

In a city where the fight between A.F.L. and C.I.O. is hotter than in Akron, where C.I.O. dominates organized labor through the rubber workers, the setup wherein A.F.L. members keep the records of C.I.O. unions might lead to complications. This has not yet become a major issue in Akron, however.

Seek International Status

The Akron office workers union is one of 50 similar organizations tied together loosely through A.F.L. Members pay \$1 a month dues. Forty cents of this goes to the A.F.L. in a per capita tax. The office workers have asked for an international union charter which would give them a national president and a status similar to that of the rubber workers, but so far it has been turned down by A.F.L.

The 49 other office workers unions are spread throughout the country, with those in the Eastern cities considered strongest. New York's is among the largest. Membership in the locals runs from a few to 5,000. They are governed by local officers with help of A.F.L. organizers.

The office workers have not found it an easy task to win converts, particularly in the smaller offices. The boss usually considers his office staff members of the family. The office staff, in turn, finds it hard to tie up with a union behind the back of the boss. The organizers concede, too, that there may be something in the belief that secretaries fall in love with their employers.

Newspapers Well Organized

There are, however, groups of office workers in larger organizations that have sought out the union without the formality of the fancy pseudo-engraved invitations sent out by the union.

Newspaper business office employees were one such group. They found themselves the only unorganized group on Akron newspapers after the circulators, editorial men, truck drivers, and mailers joined unions and lined up with the long-established mechanical unions.

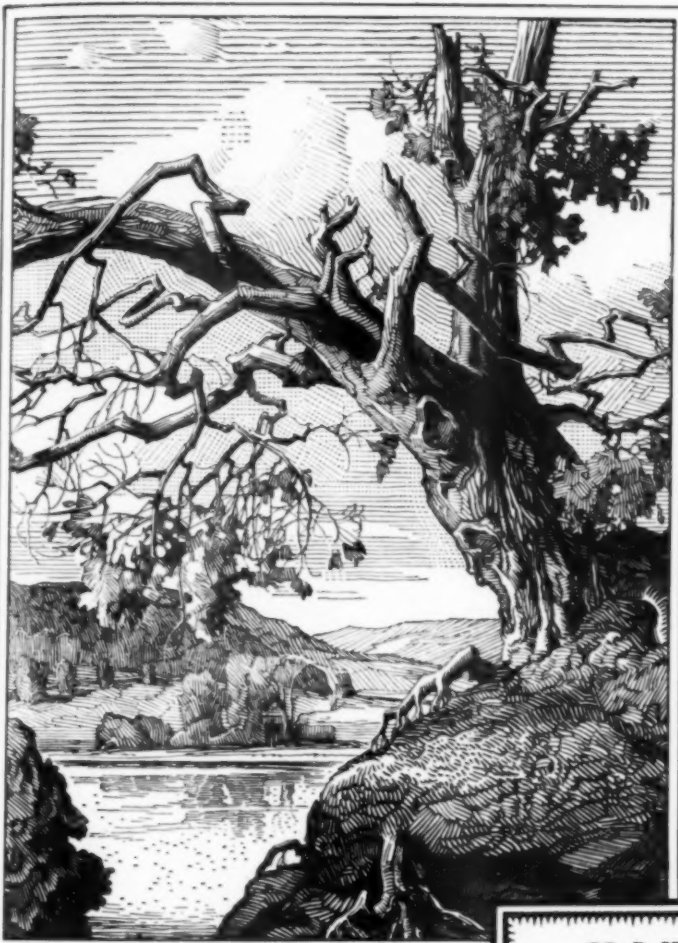
The newspaper stenographers, phone girls, auditors, and telephone solicitors felt they were about to become the victims of a squeeze. With no organized voice to protest, they felt they would be in the middle when the or-

What an acorn needs

is management

If the wind manages to drop the tiny acorn in the right spot...and rain and sun and Mother Earth manage to nourish it properly...you get a mighty oak.

If the finest barley Nature produces manages to get together with the costliest of domestic and imported hops...and they in turn manage to have the guidance of priceless brewing skill...you get a mighty fine beer. If you want a fine beer with an utterly distinctive bouquet and taste, you ask for BUDWEISER.



AS YOU LIKE IT
In Bottles In Cans



Order a carton for your home
NO DEPOSIT REQUIRED

MAKE THIS TEST!

DRINK Budweiser FOR FIVE DAYS
ON THE SIXTH DAY TRY TO DRINK A SWEET
BEER. YOU WILL WANT Budweiser's
FLAVOR THEREAFTER.



Budweiser

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Make Your Plant Safe with the fence that can "stand the rap"

GREATER protection for your plant in times of emergency—that's the big reason for investigating Anchor Fences *right now!*

For Anchor Fences protect employees at work, and provide for better control of traffic in and out of the plant enclosure. At all times they stand guard over plant equipment and raw materials stored outdoors. And to trespassers they say "KEEP OUT" in a way that cannot be ignored.

With an Anchor Fence around your plant you are safe. Production can continue even under adverse circumstances. Disturbances in the neighborhood need cause you no anxiety.

Protect now! Anchor is ready with large stocks of the best protective fence money can buy—and Anchor Sales and Erecting Service is available in every industrial center. Consult "Where to Buy It" in your local classified telephone directory—or mail the coupon for free Industrial Fence Specification book.



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ganized department groups made their demands, principally for more money. They joined the office workers' union to protect themselves from being forgotten in the rush.

White-collar enlistment in the rubber unions usually picks up when wage increases are announced for factory workers. Early this year when the companies gave a 10% wage increase, rubber union offices were busy taking applications from office workers. The influx was shut off only when the rubber companies announced that adjustments would be made in the offices.

The "Buy Union" movement, always strong in thickly organized centers, has forced white-collar organization in some of the other fields. The automobile salesmen's union is largely an outgrowth of this. So is the insurance salesmen's organization, still in its pre-charter stage in Akron.

The Pharmacists Guild, another of the newer groups, is made up of employed pharmacists. It carries organization into another semi-professional field. So far the pharmacists have made no demands, but they hope to raise salaries and force strict observance of laws that demand a registered pharmacist on duty at all times during store hours. They have formed a branch of the Retail Clerks Union.

Giannini Bank's Pull-in

Transamerica directors vote to reduce its stock and distribute subsidiary's shares.

DIRECTORS of Transamerica Corp. have approved the steps designed to change over from a holding company in the banking field to an investment concern

largely interested in bank shares (*BL*—*Apr 24 '37, p. 26*). Now it's up to stockholders to O. K. a cut by half in the number of Transamerica's shares, whereupon they will receive a dividend in the stock of Bank of America National Trust & Savings Association.

Details of the program are these: Transamerica, now top holding company in the Giannini branch banking set-up, proposes a 2-for-1 pull-in of its own stock, which would reduce the outstanding shares from 23,170,000 to 11,585,000. Then Transamerica, which owns 99.65% of Bank of America's stock, would distribute about 60% of that holding to its shareholders—one share of Bank of America for every five of Transamerica to be outstanding after the pull-in, or 2,317,000 shares.

Stockholders are to vote on the plan at a special meeting in Wilmington, Del., on July 10. Assuming that the vote will be favorable, the dividend in Bank of America shares will be paid along with the regular cash distribution on July 31.

The upshot of this revamping is that Transamerica henceforth will hold no more than about a 40% interest in any Federal Reserve member bank (although retaining virtually complete ownership of its state banks). By this means it dodges federal regulation as a holding company for national banks.

In addition, it is presumed that either a listed or over-the-counter market will exist for stocks of the banks whose shares are distributed to Transamerica holders. Transamerica then can mark up its holdings to something like the going price rather than, as at present, carrying them at stated values; it is no secret that this means a bigger book value on shares retained in the Transamerica portfolio.



WORKS ON RAILROAD AND HIGHWAY—Built to take the place of the cumbersome switch engine, this new "Auto-Railer" weighs only 12,000 pounds but is capable of hauling eleven freight cars. With two sets of wheels, which can be raised or lowered according to need, it's easily moved from one job to the next.

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In other respects, Transamerica will function much as heretofore. It now has holdings in five of the seven states in the 12th Federal Reserve District—in Washington, Oregon, California, Nevada, and Arizona—but it hasn't entered Utah and Idaho. If a bill now pending to allow branch banking within the bounds of any Federal Reserve district is passed by Congress, Transamerica will be ready to step out as one of the first and largest district-wide branch banking systems.

Industries and Jobs

Warner & Swasey surveys 229 companies and gets facts on need for skilled men.

"HELP wanted"—but skilled help—is the conclusion of a survey sponsored by Warner & Swasey, Cleveland machine tool builders.

How competent the men are who run the equipment sold by Warner & Swasey makes a lot of difference in its productivity. The company therefore decided to find out whether it was true that plants couldn't find enough men to handle, say, its turret lathes effectively. Questions went out to 410 establishments in a wide range of important industries. Replies came back from 229 employing 791,820 workers.

That a real shortage of skilled men exists was confirmed by 195 companies, which listed more than two score classifications of workmen they most needed. There's an acute need for machinists, tool makers, molders, operators of lathes, automatic screw machines, and boring mills.

Most firms, it was found, favored training men in their own plants, though they showed some liking for the joint training programs run cooperatively with other industries. They didn't rely much on trade and vocational schools beyond the elementary stages.

A further question was: "Have men taken into your employ during the last two years come largely from relief rolls or federal employment?" To this, 182 firms replied "no," 39 "yes." Some firms observed: "Such men are generally unsatisfactory." Ninety-seven companies had had active cooperation from federal relief and employment agencies.

"We have hired approximately 300 men from these sources, of which about 35 remain," commented one concern; "balance released or quit. Majority lacked skill or had no desire to work."

If 10% of the men from relief rolls can acquire a usable degree of skill through retraining, it may be a good idea for industry, through closer co-operation with federal and local agencies, to give them at least as good a chance as other new men to qualify for the skilled work.



FOREIGN TRADE carries with it many financial problems...export and import credit transactions...exchange fluctuations and restrictions. These and many more questions arise constantly. The Foreign Department of the Commercial National of New York offers a real service in overseas financial matters.

The COMMERCIAL NATIONAL BANK and TRUST COMPANY of NEW YORK
FIFTY-SIX WALL STREET



MEMBER:
FEDERAL DEPOSIT
INSURANCE
CORPORATION



"6 HOURS IN MY WACO..."

● "Time is worth money to me," says Mr. Leland Hayward of New York. "I never fail to appreciate the value of my Waco as I realize how many hours it saves me each week. Landing in Chicago the other day—less than six hours away from my office, it occurred to me that the same six hours by any other mode of travel wouldn't have brought me beyond the middle of Pennsylvania. I transacted my business and was back home again in less time than it takes the fastest train to make the

trip one way. That's real time-economy!" There's a Waco dealer near you. He'll be glad to demonstrate the ship to you, and explain Waco's convenient purchase plan. THE WACO AIRCRAFT CO., TROY, OHIO





"We've got to modernize
our product still further
BUT HOW?"

EVERY day manufacturers are faced with this problem . . . every day more manufacturers of metal products are finding the solution in Ferro Porcelain. In hundreds of cases a Ferro Facial has been all that was needed to step a particular product out in front of its competitors — to set it apart as a sleek, modern product with a lifetime finish.

Maybe a Ferro Facial can do this very thing for your product. Maybe a lustrous, gleaming exterior of Ferro Porcelain will reflect a climbing sales curve along with lower production costs.

Certainly it's worth a little thought. Just give the word and one of Ferro's experienced engineers will gladly give you all the facts and figures.

FERRO PORCELAIN

FERRO CHECK is the symbol of the most rigid laboratory control, over both raw materials and finished products.

FERRO ENAMEL CORPORATION • Cleveland, Ohio

They Cannot Pass with
HYDRODARCO
On Guard!



Tastes and odors are public enemies which may get into water distribution systems if there is no guard to keep them out.

Progressive water works superintendents use Powdered Hydrodarco at all times to prevent even the occasional appearance of these menaces to purity and palatability.

Powdered Hydrodarco . . . an important factor in providing pure water for the millions . . . is one of the purifying products of the Darco Corporation, 60 E. 42nd St., New York City, a member of the Atlas family.



ATLAS
POWDER COMPANY
Wilmington - Delaware

LIKE A LETTER OF INTRODUCTION
FROM A MUTUAL FRIEND



That's the effect of a Redipoint when sent to preferred prospects prior to your salesman's call. A cordial welcome and pleasant interview often follow.

Reception room delay, "sparring" for a hearing, is minimized. This saving in time more than pays for the small cost.

During the twenty years we have made Redipoints, many shrewd advertisers have proved the effectiveness of this business builder.

Write us for a
REDIPOINT promotion
plan for your business.

BROWN & BIGELOW
Remembrance Advertising
SAINT PAUL, MINN.

Redipoint.



Automatic
Pushback
Saves Lead
and
Pockets

New Products—

New processes and new designs; new applications of old materials and ideas.

SOME industrialists keep their eyes on their smokestacks, lest some anti-smoke ordinance become operative; others watch their stacks with notions of keeping track of combustion efficiency. Whatever their motives, both may be glad to hear that Boiler Room Equipment, Inc., 45 W. 45th St., New York, can install a "Smoke Sentry" in the breeching which will ring a bell and flash a red light when inefficient combustion causes smoke.

No matter how faithful the time-study department may be, there are times when one wants to check certain operations independently and with minimum publicity. M. J. Stillman Co., 116 S. Michigan Ave., Chicago, has a new line of wrist watch-chronographs which should be ideal for such purposes. One 15-jewel model in a non-magnetic stainless steel case records time of day and at the same time checks operations either in fifths of seconds or in decimals of minutes. Four concentric rows of figures on the dial assist quick computations of production per hour.

FIRST models of "Xervac" hair conservers and restorers were so designed that the candidate for hirsute reforestation had to drop everything, so to



Business Week

speak, and concentrate on the treatment. As redesigned by Walter Dorwin Teague, 210 Madison av., New York, for Crosley Radio Corp., Cincinnati, the outfit is portable with

nothing to interfere with shines and manicures and sundry perusals of *Look* and *Life*. Xervac operates on the principle of applying vacuum and air pressure alternately to the scalp.

LAST year, Fruehauf Trailer Co., Detroit, brought out a slide rule showing truck and trailer restrictions in each of the 48 states. A new edition, which incorporates all restrictions current in April, 1937, is printed in green to differentiate it from last year's red.

UTILIZING the resiliency inherent in 125-lb. tag stock, National Process Co., 75 Varick St., New York, designs "Naggripper" lithographed displays to



Criterion

grip the neck of a fifth of Martin's Scotch without benefit of auxiliary mechanical support. Trick lies in the fact that paper, when bent slightly, possesses considerable springiness. Principle will be extended shortly to displays which will grip cans and boxes.

UNHAPPY is the man who tries to "stick" ordinary gummed labels on aluminum or on surfaces covered with printing ink. Comes Paper Manufacturers Co., Philadelphia, with a line of gummed papers, each designed to adhere to various difficult surfaces. No special moistening solution is required.

ACCORDING to the New Jersey Public Utility Information Committee, a Mid-western practical jokesmith went to great trouble to wire the huge and useless iron dog, which stands in his front yard, for sound. As visitors entered his driveway, their shadows actuated an electric eye which caused the dog to emit ferocious growls. Whether inspired by this story or not, Teletouch Corp., 37 W. 54th St., New York, is bringing out a little metal box, 6x6x6 in., with all electrical connections inbuilt, which will permit other jokesmiths to perform similar stunts with far less expense and trouble. Applied to advertising sign or display window, the mere wave of a pedestrian's hand will turn on lights, start a washing machine into action, start a radio playing, start anything.

Mr. J. McWhortle-Jones

Teletalks

AND SAVES HIMSELF!



● Mr. J. McWhortle-Jones is a very busy man. His responsibilities are many. He has to save himself as much as possible—so he Teletalks!

As he springs out of bed in the morning he thinks, "My, scrambled eggs and kippered herring ought to go pretty good this morning!"—and promptly Teletalks Mary, his cook.

Then he Teletalks his chauffeur and says, "George, we'll take the Cadillac this morning."

He arrives at his office, bustling with energy, ready for a full day of work. He Teletalks to his secretary, "Let's get started, Miss Roe. We have a full day ahead of us."

"Yes, sir, I'll be right in," comes the reply over the Teletalk.

"H-m," he muses, "has Hackett & Company paid that balance?"

Again Teletalk saves him time and gets the information quickly. Back from the comptroller comes this reply: "Yes, Mr. McWhortle-Jones, we received their check this morning."

Then he impatiently Teletalks the shipping department, asking, "When is that shipment going to B & B Products?"

"Ve ain't got no boxes," from Brinks (nee Brinsky), the shipping clerk.

"Good night, get some," Teletalks Mr. McWhortle-Jones.

"Mr. Mc-Mc-Mr. Jones, I'm a shipping clerk, not a boxmaker," comes a voice over Mr. Jones' Teletalk.

"You're fired!" says the shipping room Teletalk.



Teletalk is a quality-built intercommunicating system for homes, estates, stores, offices, factories. Costs little to install, nothing to maintain . . . Available in a wide range of models and combinations for small offices or large factories.

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WEBSTER ELECTRIC COMPANY, Racine, Wisconsin, U. S. A.
Established 1909

WEBSTER ELECTRIC
Teletalk

REG. U. S. PAT. OFFICE



Collecting Foreign Debts

SEC report disqualifies bankers as intermediaries with governments whose bonds are in default; wants sole bargaining agency to handle jobs.

LAST week the Securities & Exchange Commission issued an 834-page paper-bound report on American bondholders' protective committees. This week the Foreign Bondholders Protective Council, Inc., organized in 1933 in the thick of foreign bond defaults, stood virtually canonized as the sole American agency for collective bargaining with foreign governments whose bonds are in default.

In effect, SEC asked Congress to authorize the F.B.P.C. to carry on the work it began under semi-official government sponsorship, though with funds provided largely by banking interests. But SEC would divorce the association from banks in any form—houses of issue, short-term creditors of foreign governments, even fiscal agents for foreign nations.

Suggests Federal Funds

To continue the council's financial support, SEC suggests that Congress provide \$1,000,000 if necessary—\$150,000 annually for the first four years and \$100,000 for the next four. After that, it feels that the council should be able to go ahead on fees derived from successful debt settlements with foreign nations. The fees would come from bondholders. Also, it is suggested that underwriters of future foreign loans (if any) should set up a reserve fund for the protection of investors.

As its name implies, the Foreign Bondholders Protective Council was designed to aid American holders of foreign bonds who individually would not get to first base in dealing with defaulting foreign governments, but who collectively would have a chance of producing a mass effect—largely through moral suasion. There is no political sanction given the council. Even if it gets government financial support, it will have to operate without benefit of diplomatic representations.

United Front

In one way the F.B.P.C. will be in a unique position. Hitherto, American negotiations with foreign governments on debt defaults have been carried on by numerous protective committees, many of whom represented bankers, rather than investors. Practically always there was duality of interest. On the theory that no council can effectively serve two masters, SEC demands absolute segregation of banking and investor interests.

Even ex-bankers are denied the right to serve on the directorate of the coun-

cil. This has its disadvantage as well as its advantage. In England, the British Corporation of Foreign Bondholders enjoys the active support of the large investment trusts, insurance companies and banking houses—especially since those enterprises have an investment stake in foreign bonds. Thus, when the British Corporation of Foreign Bondholders makes a suggestion to a govern-



MAY REPRESENT AMERICAN BONDHOLDERS—This week J. Reuben Clark, president of the Foreign Bondholders Protective Council, studied the 834-page report of the Securities and Exchange Commission—the report which recommends that his council be the sole agency to represent American bondholders in making settlements with foreign governments whose bonds are in default.

ment in default, that suggestion carries with it the stolid weight of financial England. If the foreign government is absolutely adamant in refusing, then, when it comes time to raise a short-term credit in England, bankers will be very cold to the idea.

SEC implies that a certain hostility of interest between investor and banker exists in the very nature of things and makes the point that, in the past, short-term banking creditors have profited in debt negotiations at the expense of the long-term bondholder. From that premise, the next step in SEC logic is that the bondholders' protective committee must attempt to get everything it can, even at the expense of the short-term creditors.

Often, however, the best approach to a foreign government is through the banker, who already has done financial favors, who will be called on to do more, and whose good-will the government is anxious to cultivate. To cut off the F.B.P.C. from banking groups is to deprive the council of the potential use of the banker as a wedge in opening negotiations with a creditor who would much prefer to postpone conferences.

Indeed, the F.B.P.C.'s biggest problem in the short span of its existence has been to get foreign governments to enter into negotiations; letters are frequently ignored. The important point from the foreign government's standpoint is that commercial credits are needed every day, but long-term loans aren't.

Yet, because the F.B.P.C. will be the sole accredited bargaining agency to represent American bondholders, it will enjoy a prestige in dealing with foreign governments that no other American committee has been able to muster.

It will need this as guardian for the 60,000 investors in foreign dollar bonds—of which \$1,749,000,000 (out of a total of \$5,345,000,000) were in default at the end of 1935.

Hasten Utility Ruling

Circuit Court quashes TVA injunction; speeds decision by Supreme Court.

THE public can expect so much benefit from the Tennessee Valley Authority program—from flood control and cheap electricity particularly—that the work should not be blocked by temporary injunctions. This was the ruling of the United States Circuit Court of Appeals last week in lifting a writ blocking extension of TVA power lines, and it blows wide open once again the competitive situation between the TVA and the private power companies.

One of the three members of the court—Judge Florence Allen, the country's ranking woman jurist—even went so far as to say that the Circuit Court should define the injunctive powers of trial courts. She held that operation of an act of Congress should not be blocked when there is a probable but immeasurable damage to the public, and her view added another sidelight on the controversy over judicial reform.

Sitting in Covington, Ky.—right across the Ohio River from Cincinnati, where flood is a recent and vivid memory—the court rendered an opinion which seemed quite distinctly to hold that public interest, in this case, heavily outweighs the interests of private companies and their investors. In fact, the court said:

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to permit of any doubt either as to the
existence or the extent of the public
interest that is threatened by the main-
tenance of the injunction and against
which the threat to private interests
must be balanced.

"The loss, inconvenience, and discom-
fort of the residents of the area in fail-
ing to obtain cheap electric energy, if
it be found in the end that it may law-
fully be supplied to them, may likewise
not be measured, but equally incon-
vertible is it that it will be great."

Clearing the Track

The Circuit Court didn't take up the
constitutionality of TVA. It sent that
wrangle back to the U.S. District Court
for the eastern district of Tennessee.
This action quashed the contention of
TVA lawyers that this particular court
lacked jurisdiction. To that extent it
cleared the track for a decision on con-
stitutionality without further bickering.

Some of the utilities involved express
the opinion (unofficially, because their
attorneys haven't made up their minds)
that no appeal will be taken from the
Circuit Court's verdict—that the case
will be fought through on its merits and
taken up to the Supreme Court as fast
as possible.

Meanwhile Wendell L. Willkie, presi-
dent of Commonwealth & Southern
Corp., the company most vitally affected,
in his annual report to stockholders,
calls attention to the frequent negotia-
tions and compromise offers attempted
to iron out the troubles, but notes that
"all these various proposals have been
either rejected or disregarded" and that
"no alternative solution has been made
by TVA or the government."

Color Film Increase

**Technicolor, Inc., makes some
cheerful announcements which
echo in the stock ticker.**

TECHNICOLOR, INC., producer of col-
ored motion picture film, is always
ready to announce through an efficient
publicity department the good fortune
that comes its way. Last Monday dis-
patches from Hollywood disclosed that
Samuel Goldwyn, the United Artists
picture producer, has discarded black-
and-white films and will hereafter use
only the Technicolor process. (Tech-
nicolor stock went up 1½ points on the
New York Curb Market.)

The following day Technicolor re-
vealed among other things that net
earnings for the first quarter were
\$166,000, or \$34,000 over the same
period in 1936. (Technicolor went up
2 points more on the New York Curb.)

Beyond doubt, color pictures are
going places. Technicolor is away out

in front. During the first three months
this year the company shipped 9,384,-
000 ft. of film, which was nearly two
million better than last year's first
quarter. Every feature color picture
used this company's process in 1936, as
did a large percentage of animated
cartoons and short subjects.

Mickey Mouse, Promoter

Walt Disney, Mickey Mouse's papa,
has done much to make the movie
millions color conscious. His trium-
virate of little pigs promises to become
immortal. This year Disney announced
that, beginning Mar. 1, he would make
all his pictures in Technicolor. A clam-
orous public is feverishly awaiting the
release of a full-length feature called,
"Snow White and the Seven Dwarfs."

The Hollywood announcement that
Goldwyn had gone to color exclusively
also hinted that several other producers
were "expected to fall in line." It is
important to note that Mr. Goldwyn
is not connected with Metro-Goldwyn-
Mayer, the No. 1 company in pictures,
though he was a pioneer with this cor-
poration. He is now one of United
Artists' producers releasing through
this company's distributing system. His
color announcement is met by a skepti-
cal, "Positively?" from publicity-con-
scious rivals.

The Cost Problem

Though color in pictures is a natural,
Technicolor received a tremendous
boost through the activities of ubi-
quitous John Hay Whitney ("Jock" to
the tabloids). Mr. Whitney bought
into Technicolor and produced pictures
which sent fans away from movie
theaters murmuring ecstatically. His
producing unit is Pioneer Pictures. It
first rang the bell with *La Cucaracha*, a
short. *Becky Sharp*, a million-dollar fea-
ture, followed (BW—Jun 22 '35, p. 22).

The entire movie industry became
dizzier than usual as a result of these
innovations. It would like to go more
heavily into color but balks at the cost.
Technicolor film is 5½¢ a ft. against
about 2½¢ a ft. for black-and-white
film. Special cameras and technicians
have to be employed. The overall cost
of a color film is something under 30%
greater than black and white. There
is a rumor that sales volume will soon
enable Technicolor to reduce its prices.

Rubber Plant Farmers

ORGANIZED in 1913, the industrial
training group known as the Flying
Squadron of Goodyear Tire & Rubber
Co. has furnished background for many
of its keenest executives. With such
success as criterion, Goodyear initiates
12 young men—Future Farmers' Flying
Squadron—in the mysteries of modern
farming on its 37,000-acre ranch at
Litchfield Park, Ariz.

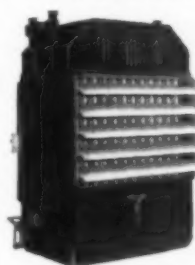


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trialists who ad-
opted Janitrol
Unit Heaters as
the ideal, flexi-
ble, trouble-free
system of space
heating for fac-
tories, stores
and warehouses,

have in many cases also had them
installed in their country clubs.

Suspended from the ceiling ... requir-
ing no floor space ... and no attention
... Janitrol Unit Heaters provide the
comfort of warm circulated air in
locker rooms and all parts of the
club at minimum operating cost.

Requiring no central heating installa-
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storage ... these efficient unit heaters
meet country club requirements per-
fectly. Buildings may be partially or
entirely heated at will. Auxiliary heat
is instantly avail-
able spring and
fall when central
heating is turned
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Write for inter-
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Surface Combustion Corporation,
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330 W. 42d St., New York City



WATER AIDS AIR CONDITIONING—The concern expressed by the attitudes of the onlookers has to do with keeping water on the roof rather than getting rid of it. This 3-in. pool atop the laboratory of Swann & Co., Birmingham, Ala., helps cool it in summer, warm it in winter, and in addition preserves roofing against the ravages of alternate wetting and drying.

Hold Water on Roof

Several firms do this as a means of air-conditioning and to save roofing materials.

CENTURIES of effort and millions of dollars have been expended in draining rain and snow water from roof tops with maximum celerity and minimum damage. And now, paradoxical though it sounds, at least four business houses in four geographically and climatically different sections of the country have made provision for entrapping and holding two or three inches of water on flat roofs the year around. Lieut. Col. W. A. Danielson, Quartermasters Corps, U.S.A., and chairman of the committee on research, American Society of Heating and Ventilating Engineers, is credited with being principal originator and proponent of the idea.

There are at least four excellent rea-

sons for the water-holding plan: (1) cooling in summer; (2) warmth in winter; (3) preservation of modern roofing materials against damage occasioned by alternate wetting and drying; (4) money savings. Long before desert dwellers discovered that evaporation would cool water when placed in somewhat porous vessels, frogs and fish knew by instinct that water at the bottom of pools and lakes remained at livable temperatures throughout the winter. J. C. Penney Co. is reported to be discovering that water on the 30,000 sq. ft. roof of its new air-conditioned department store in Milwaukee is saving a full 25% on estimated cooling costs. Employees of Swann & Co., Birmingham, Ala., Hershey Chocolate Corp., Hershey, Pa., and American Air Filter Co., Louisville, Ky., all report high year-around satisfaction.

Seek Further Data

The above-mentioned A.S.H.V.E. research committee expresses itself as anxious to secure all first-hand data possible, both technical and financial. It is known, for example, that if a heavy snowstorm comes, insulating properties improve by reason of the air entrapped among the snowflakes. But the optimum number of inches of water in a given climate is not known; and few data on winter fuel saving and summer cooling-power saving are available. It is known that a few logs of wood judiciously scattered on the roof will absorb all expansion when winter freezes roof water and thus prevent damage to retaining walls, but little work has been done on a more scientific and slightly means of accomplishing the same effect. Metropolitan cliff dwellers look forward to the time when unused roofs on "set-backs" will become cooling pools in summer and warming skating rinks in winter. Factory and foundry workers would like to see the principle extended to roof-top swimming pools this coming summer.

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First Fold-Boat Train

New Haven takes passengers to Housatonic River; carries small craft in baggage car.

ALL was not quiet on the Housatonic River last Sunday, May 16. Rains had added four feet to its normal level, and the New Haven Railroad had carried 130 fare-paying enthusiasts plus 100 press observers to picturesque northwestern Connecticut on America's first "Fold-Boat Train." \$2.25 was the round-trip fare; 7:45 A.M. (D.S.T.) the hour of departure from New York's Grand Central Station. Dining-car breakfasts for late getter-uppers came to 30 or 55 cents, depending upon capacity and purse.

With a Leap and a Giggle

At Falls Village, about three hours up the line, the fold-boaters debarked, all making wild dashes for the baggage car while gentlemen and ladies of the press unlimbered their cameras and their best news noses. The baggage car carried 75 fold-boats in folded condition. Quickly the landscape became alive with boats in various stages of erection, the art and science being first to assemble a complex group of carefully designed sticks into a frame and then to clothe the skeleton with a canvas and rubber skin. The resultant craft is a modernized cross between a kayak and a canoe, for one or two passengers, which floats low in the water and is less cranky than a canoe. The well dressed paddler wears a bathing suit.

Purposes, Real and Publicized

Publicized object of the trip was to provide boaters with the thrills of shooting a series of rapids dotted along a 17-mile stretch of Housatonic running from Falls Village to Flanders. Real objects were to provide the railroad with something new and profitable in the way of excursions (New Haven ran the first Snow Train and the first Cycle Train) and to popularize the Fold-Boat which came to these shores from Europe about a year ago. Invented by a Bavarian in 1902, the *faltboot* has so taken hold of European imaginations that more than 500,000 of them ply the waterways and lakes of central Europe. Folbot Corp., Long Island City, which owns American rights, has already sold around 2,000 of the American edition.

Miraculously enough, all objects achieved fulfillment. Fold-boaters had a swell time; *faltbootpaddeln und wildwasserfahren* (faltbooters never say "paddling" or "shooting the rapids") can consider themselves definitely launched as major summer sports. For its second Sunday train, the New Haven booked double last week's passenger list.



Back Fence TALK ON "THE CENTURY"

"Oh yes, Jim had a grand time, too. He's in the club car spreading the Stevens Gospel—he's so enthused about the truly finer things . . ."

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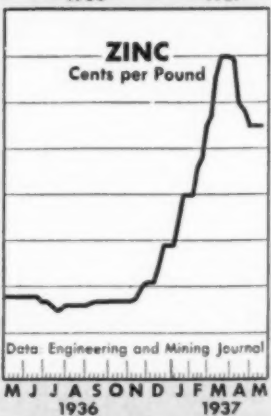
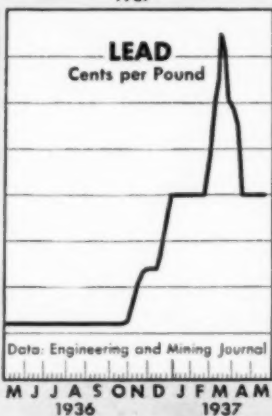
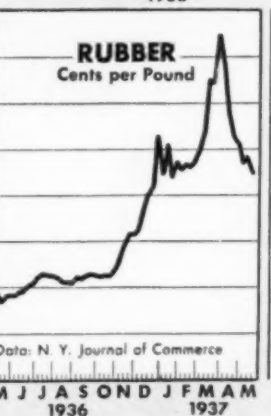
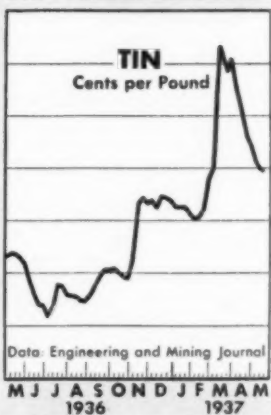
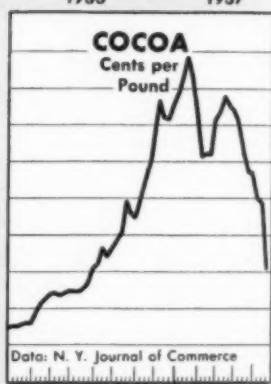
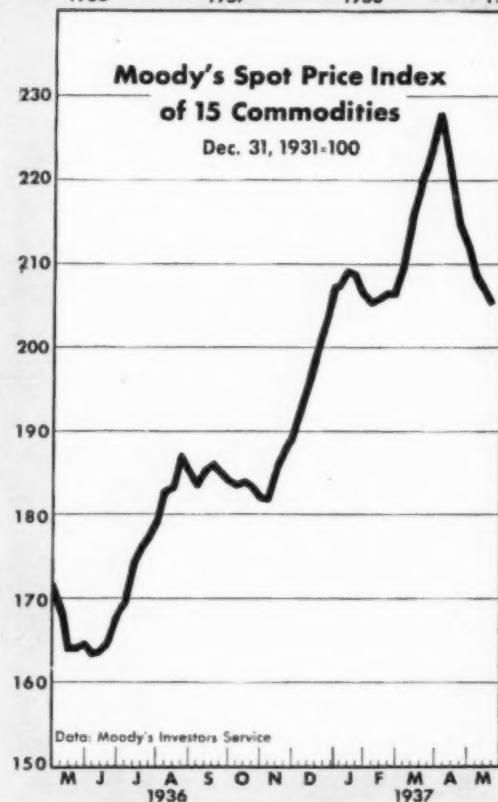
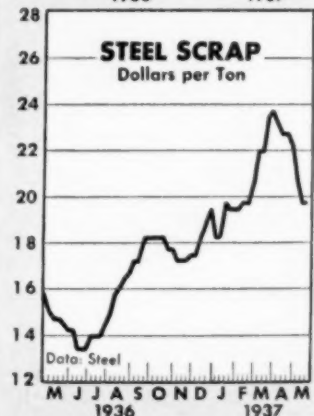
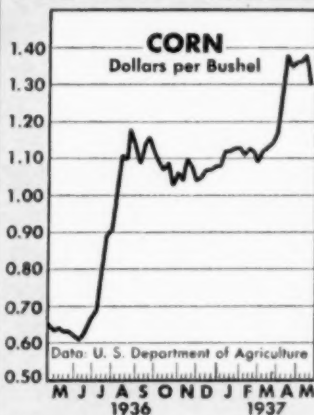
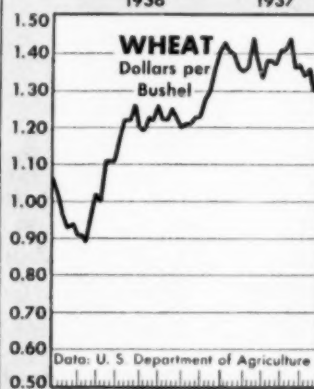
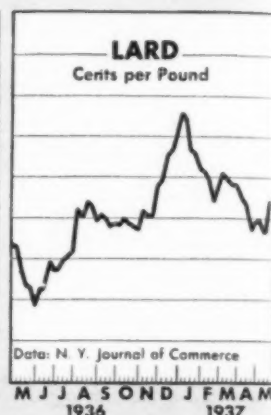
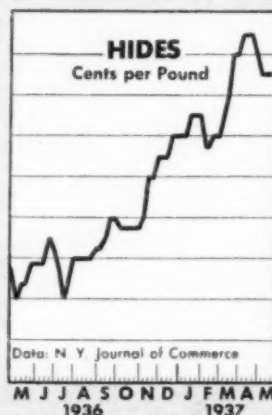
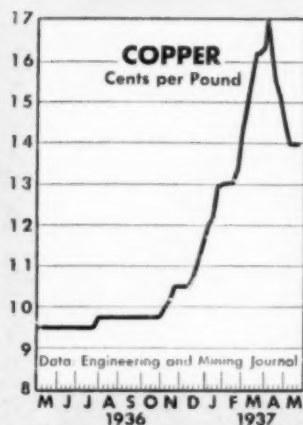
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PRICES ADVANCE — AND RETREAT





DOWN TO THE SEA—The *European Wilhelm Gustloff* was launched recently in the presence of the Führer. German shipyards are reported booked two years ahead, and there is a shortage of skilled labor.

Ships Worry Nazis

Can't afford to build new luxury liner to compete with *Normandie* or *Queen Mary*.

BERLIN (Special Correspondence)—Does Germany need, and can she afford to build, new passenger liners to keep up with the pace of modern speed and luxury—especially in the North Atlantic service?

The question has obviously risen because of the two new luxury liners—*Normandie* and *Queen Mary*—which are capturing the lion's share of the public interest which for several years was held by the *Bremen* and the *Europa*. These two vessels are still popular, but the German services in the North Atlantic and on other routes need the prestige of "something new" if they are to maintain this popularity.

The consensus in Germany is that German ships are becoming obsolete in most services without there being any sign of remedying this. Since the *Bremen* and the *Europa* entered the North Atlantic service in 1929 and

1930, the only additions made to the German mercantile marine which were up to the modern standard of speed and comfort were the three ships of the *Scharnhorst* type for the Far Eastern service of the North German Lloyd, and the two boats—*Praetoria* and *Windhuk*—built by the Afrika-Lines for their South African service.

Pressed by Foreign Competition

A problem which did not appear urgent in the depression years when existing tonnage could easily cope with the diminished traffic is becoming pressing when recovery of business in overseas countries is boosting the stream of visitors to Europe and when Germany fears to be pushed in the background by the more rapid development of competing foreign shipping companies. In the case of Germany, the problem is not merely a financial one. Confined, under existing foreign exchange regulations, to what Germany's own shipbuilding yards can turn out, shipping executives are confronted with the fact that these yards are booked with orders for years ahead and that shortage of skilled labor and other causes preclude their expansion or the opening of new yards.

Right now there is no thought in Germany of trying to build a luxury liner to compete with the *Normandie* or

the *Queen Mary*. The drain on government finances of all of these monsters is too great for the Reich to consider.

What is the real source of worry is the building activity of Dutch, Norwegian, and Swedish shipowners who are now building such modern new vessels that they will make at least a part of the North German Lloyd and Hapag fleets look pretty old and obsolete. Holland American line officials will put into the stiff North Atlantic competition in 1938 their newly launched *Nieuw Amsterdam* (33,000 tons). A German firm is building a very efficient liner of 18,000 tons for the Norwegian American line. And the Swedish American line has under construction a smart new boat of 28,000 tons which threatens to rival in popularity the *Kungsholm*, long a favorite in both the transatlantic and cruise trade.

It is reliably reported that in order to meet this prospective competition the best German shipbuilding experts have completed preliminary plans for a new transatlantic boat of 30,000 to 35,000 tons with a speed of 23 to 24 knots. This new type (with a freight-carrying capacity of 7,000 tons) will combine the maximum of reasonable comfort—but without luxury—with the maximum of economic operation. Definite decisions in this matter will probably be taken in the summer.

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WHAT THE LABOR BOARD THINKS THE LABOR LAW MEANS!

A question that has puzzled many executives in industry since the Supreme Court validated the Wagner Labor Relations Act . . . is answered in a timely article in the May issue of FACTORY.

This able analysis by Paul Wooton, Washington Editor, is based on an intimate knowledge of the Labor Board's sayings and doings . . . suggests how its members may be expected to interpret this important act.

FACTORY has received so many letters and comments about this article and so many requests for additional copies that a limited number of reprints have been made available.

Perhaps you would like to have a copy of the reprint which also includes a newly verified list of the regional offices of the National Labor Relations Board with details of their location, personnel, and territory served. We will be glad to send you a copy without cost.

FACTORY HIGHLIGHTS IN THE MAY ISSUE

"ARMCO Personal Relations"

A story of an outstanding success in the field of Employee Relations.

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Many executives welcome their plant operating men reading FACTORY regularly—that is why FACTORY has more plant operating officials as subscribers than any other business paper. We will be glad to send you a sample copy of the June issue for your inspection.

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New British Premier Business Man

Neville Chamberlain, soon to succeed Baldwin, has similar honesty and ability but less subtlety. He leans toward more state control of business.

LONDON (Special Correspondence)—It would be unjust to call Premier Stanley Baldwin—who will retire before the end of the month—as fat as Falstaff, and exactly as unjust to call incoming Premier Neville Chamberlain as lean as Cassius. But the twin injustices do explain something of the difference in the two men.

If Neville Chamberlain had not come of a rich and powerful family he would be a commonplace man, of about middle height, with a beaky nose and strongly marked eyebrows, displaying no evidence of his latent capacity.

"He Is What He Was"

The late Lord Birkenhead—"F.E." of impious memory—ranked Chamberlain among the second class brains. With a characteristic sneer he once said "Neville is what he was, a very good lord mayor of Birmingham—in a lean year."

Other critics say that the son is what the father was often called—a "gas and water politician," meaning an administrator of small town stature.

But these estimates are mistaken. Chamberlain is an exceedingly able man of rigid and limited mind, but forceful within those limits. He began life under the shadow of his father's great fame. It was Austen, the elder half-brother, and not Neville, who was des-

tined and trained for politics. Young Neville was sent out to the West Indies to manage some hopeless experimental sisal-growing enterprises.

He came back and plunged into the family business interests in Birmingham. While Father Joe and Son Austen were making glad the cartoonists with the characteristic Chamberlain clean shaven face, adorned by a monocle, over a lapel adorned by an orchid, Neville grew a mustache and looked like W. S. Gilbert's "serious and solidly, jolly-bank-holiday, stick-and-a-pipe young man."

But he did good work on the Birmingham city council and, like his father, made a good impression as lord mayor. Mayors and lord mayors differ in Britain from their American equivalents. The office is honorary, and held to be honorable, filled for one year, or perhaps two, by the leading local political citizen.

Succeeds as Health Minister

In the war, Lloyd George in his search for business brains to help the coalition government turned to Neville. He was put in charge of a manpower department, another hopeless task, and failed—badly. But after the war as minister of health he displayed an amazing aptitude for administration and was a towering success.

His somber honesty of mind made



FAR FROM THE MADDING CROWD—From conferences, House of Commons debates, and the like, at least temporarily, Neville Chamberlain, who is to succeed Stanley Baldwin as British prime minister, is out fishing this week, and is presumably at the same time turning over in his mind the men who are to compose his cabinet.

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International
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A scene from "Along Came Alec,"
a sound-on-film movie produced by
Wilding Pictures, Inc. for the Olds-
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Alec, a bumptious young college graduate,
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sales battles are won. Engineering features,
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prospects, are given
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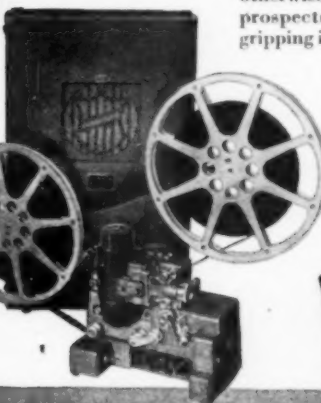
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him an ideal chancellor of the exchequer, although his first term gave him no chance to show his paces, as it was cut short by a Labor victory at the polls.

But when the National government was formed to save Britain from the débâcle of 1931, he returned to the Exchequer and for the past six years has been in many ways the strongest man in the government.

Bred for Business

His attachment to Stanley Baldwin owes much to a similarity of character. Both owe as much to transparent honesty as to ability. Both have suffered from recurring doubts of observers as to whether that ability is not, after all, more apparent than real. Both were bred for business and were in business until early middle age. But Chamberlain has not those literary graces that Baldwin so often displays. Nor has he that strain of Machiavelli, that touch of the caucus boss, which often pops out of seemingly somnolent Baldwin. He is a more "honest-to-God" severe type palpably doing his best without rest or let up, and without fireworks.

Being a Chamberlain, he is reputed to be a high priest of high tariffs. The reputation is false. He is a protectionist, it is true, but not a very strongly based one. L. S. Amery, his father's disciple and his own friend, is much more the hot-gospeller of tariffs. It will mean something to the present imperial conference and ultimately to the American farmer if Neville finds a place for "little Amery" in the new administration, but he is unlikely to do so. London insiders think his tariff policy will tend towards low tariffs and an attempt to quicken world trade within the scope of the imperial agreements now being modified. Chamberlain had a hand in the original Ottawa accords, and is ready to make the liberalizing adjustments popularly demanded. He has also spoken publicly in favor of bilateral trade bargaining.

No Change of Policies

Broadly speaking, the change of men will mean no change of policies. Financially, Chamberlain is committed to the policy of "the independent pound"—that is, he will use the Exchange Fund to keep the pound in relation to the dollar and the franc as best suits Britain at any moment. He will feel that it is not his turn to be constructive. That rôle he will leave to President Roosevelt. But if Roosevelt produces a world settlement scheme that looks workable, Chamberlain will be his strongest supporter.

Towards labor questions, Chamberlain will be liberal. He was the instigator of the Municipal Bank at Birmingham and has socialistic tendencies that he does not recognize as such. But he is not the man to stand any "nonsense" of the C.I.O. type. He will be less yield-

ing on labor questions than Baldwin, although quite as mentally sympathetic.

In foreign affairs, he will not defend the League of Nations—a topic which he has carefully avoided in public speeches for many months. He is less likely to compromise with Germany—or to provide credits—than has been Baldwin. It was he who first among the cabinet leaders admitted the futility of sanctions when he declared that a continuation "is very midsummer madness."

In internal economics he will lean towards the planners, that young group of Tories who try to fight the socialist devil with fire.

On rearmament he will be firm but unenterprising. Churchill would arm the country speedily even if he ruined it: Chamberlain is the opposite type. He will arm to capacity but his definition of capacity will be that of a finance director of a big corporation.

Different from Churchill

In passing, it may explain Chamberlain to say that he is the complete antithesis of Churchill. Churchill cannot think without talking: Chamberlain thinks in long silences. The two mental processes are exactly contrary and the two temperaments exactly reversed.

Neville Chamberlain is only 18 months younger than Baldwin. He cannot, by the nature of things, as a man growing older and troubled by gout, expect a long tenure of active, strenuous office. The real enigma of British politics is—who next?

Broad-bottomed, phlegmatic, legal Thomas Inskip is predicted. So is Sir Samuel Hoare—victim of Baldwin's turn-around on Ethiopia. Sir John Simon is latently ambitious. Young W. S. Morrison, recently promoted from the Financial Secretaryship to the Treasury to the Scottish Office, is tipped as the young hope.

The truth is that nobody can tell who or what will follow the Chamberlain ministry. He represents the last phase of the last phase of the Old Gang (with all its faults and all its virtues), and after him politics will be in another period of transition.

Only this can be said with certainty—a strong Britain, a high price for gold, a tentative attempt to cut down trade barriers, and a steady drift towards that government control of business which is already evident in Britain will be the main planks of the British platform whoever sits in the Premier's chair in the Cabinet Room.

In the meantime, Chamberlain will reign a year or two, taking his own way without scruple and without diffidence, but also without imagination. If the courage of resistance is needed, he will show it; but if the courage of innovation and experiment be asked, he will not have it.

Quebec Power Plan

Provincial venture is considered a means of checking private companies' rates.

MONTREAL (Special Correspondence) —The Quebec provincial government's venture into semi-state development and distribution of electric power, under the power syndicate bill now before the legislature, is expected to operate as a yardstick, or price corrective agency, and as a warning that the private power interests should extend services to areas where profit prospects do not hold out immediate inducements. The venture is not expected to be an extensive competing service.

Initial capital to be supplied by the provincial government to its appointed syndicate of three officials is limited to \$10,000,000. The public will be invited to subscribe additional funds, and while the government will have discretionary power to direct development and distribution of power where it sees fit, immediate operations are to be in northern sections of the province now suffering from want of service.

Private Companies Not Worried

Private power companies centered here do not feel that their interests are seriously threatened, and the public thinks the new development is the beginning of a trend toward greater consideration for the consumer. The move is Premier Maurice Duplessis' answer to the demand of a small rebel group in the legislature for nationalization of large power producing companies.

Quebec, long the exclusive and unthreatened domain of private enterprise, has of late been developing an economic royalty consciousness. It led to the formation of a new political party two years ago which last year was elected to office under the premiership of Maurice Duplessis.

To Protect Small Investor

This government has made it plain since it came into office that it meant to develop Quebec far more intensively, and for the benefit of the province as a whole. Private capital has been invited to participate in all plans, but, as in the present case, there has been a warning that certain practices will be curbed. The premier has made it plain that small investors are going to be protected, though some of the regulations will hit big Quebec industries.

Some of Quebec's largest private enterprises, such as power and paper companies, get their raw materials in concessions from the government. There has been little state interference with rates levied on consumers to bring returns on inflated capitalization. Recently, comparison of rates with those of the neighboring Ontario Hydro de-

velopment has caused dissatisfaction in Quebec, despite the feeling against Ontario for cancelling important power contracts. Quebec utilities also point out that Ontario Hydro is tax exempt.

Private power companies appear to be awakening to the wisdom of going part way to meet public sentiment. One of the largest is extending rural services without immediate prospect of profit. Government power measures are largely concerned with smaller municipalities and with the rural districts. But it is significant that a new control commission will have some authority over rates, and that one of the new power bills would limit contracts to five years.

Mexico Taxes Yanks

New income levy on sales does not discriminate, but hits American firms most.

MEXICO has a newly amended income tax law, to which was added on Apr. 30 a surprise decree amendment which will especially affect those American firms or individuals who sell their goods in Mexico.

In brief, the amendment says that any foreign salesman selling in Mexico must pay an income tax on 35% of his gross sales. The tax rate operates on a sliding scale, ranging from 4.8% to

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DICTATOR AT PLAY—Colonel Fulgencio Batista, Cuba's "medicine man," is shown in a session with the medicine ball.

12½%, depending on the volume of business involved.

The tax does not discriminate against the nationals of any specific foreign country, but its purpose is immediately revealed when it levies the tax only against sales representatives or commission agents of firms not operating through a "branch" in Mexico. Foreign branch plants have the advantage under the new law of being treated exactly like a Mexican merchant, which means they can deduct the usual expenses and pay their tax on net income.

Enforcement May Be Difficult

Comparatively few United States firms have branch plants in Mexico, so the law will affect a vast volume of business. On the other hand, the first reaction of many interested companies in New York and of Washington authorities is that the law will be difficult to enforce and is likely to be modified before the time for the first collection of taxes.

It is pointed out, for instance, that a salesman can apparently get around the law by having the Mexican buyer place his order directly with the home office in the United States, or any other foreign country, and make his remittance by draft attached to the bill.

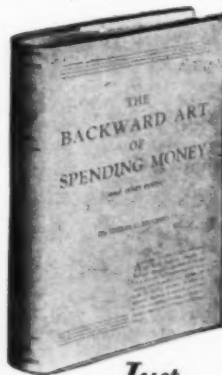
Mexican officials are eager to develop local industries. Two years ago the country's insurance business was forced into the hands of those companies—foreign or domestic—which were willing to invest the bulk of their funds in Mexico. The new law supplements a protective tariff system aimed to build up industry. It is supplemented by a government loan organization to help new industries.

It does not shut the United States out of the Mexican market. It merely changes the character of, and method of carrying on, the business. It will help provide Mexico with trained workers, and share with them the wages which create higher buying power.

The Backward Art of Spending Money *and other essays*

By **WESLEY C. MITCHELL**
421 pages, 6 x 9, \$3.00

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Business Abroad

Argentine boom attracts wide interest; foreign debt is being liquidated. Germans snub Mussolini; woo London. Soviets expect big harvest. British admit labor troubles are serious.

WALL STREET has been watching Argentina for several months with a good deal of satisfaction; before the end of the year, it is possible that Washington will make a move to negotiate a reciprocal trade pact with this prosperous South American country and that its enviable recovery record will come into the limelight. Within the last six months, the Argentine has completed the refunding in the United States of all of its obligations, and within the last month it has successfully floated at home a 200,000,000 peso repatriation loan, the funds of which will be used gradually to pay off outstanding foreign obligations.

Big Export Year

In addition to these healthy indications of economic progress, Argentina's exports of agricultural products in the first four months of this year touched an all-time high of 7,804,959 tons, more than twice the figure for the same period last year. Higher prices this year raised the value of these exports more than 200%. Wheat shipments alone were six times the size of those exported in 1936, and half again as large as those for 1932, a relatively good export year.

At the beginning of last November, Argentina had approximately \$234,000,000 of long-term debt outstanding in the United States, in nine different loans bearing interest ranging from 5½% to 6%.

During the intervening months, about half of this amount has been repaid to United States holders of Ar-

gentine bonds, and the balance has been refunded at an average interest of 4.82%. Whereas last year the Argentine was paying \$20,186,000 in interest and sinking fund services on her long-term dollar indebtedness, from 1938 onwards, the country will be paying only \$7,041,270. This means a saving of more than \$13,000,000 a year on external debt service remittances and, in the normal course of events, at least a part of that additional sum will become available to trade and will go to increase the real wealth of the country.

The new internal loan carries a 4% coupon but, having been floated at 90½, it pays at the rate of 4.42%.

Trade Balance Is Good

Argentina continues to pile up a favorable trade balance in her foreign trade. In the first quarter of this year, exports amounted to 840,000,000 paper pesos (compared with 410,400,000 in the same period last year); imports amounted to 307,400,000, compared with 289,500,000 a year ago.

This leaves the country with a favorable trade balance this year of 532,600,000, compared with a first quarter balance last year of 120,900,000.

United States exports to Argentina are running well ahead of last year. For the first three months, our sales to the Argentine amounted to \$17,079,000, compared with \$11,719,000 for the same period in 1936. Our imports from Argentina for the third year reflect the shortage of grain and fodder crops in this country. For the first quarter of this year they amounted to nearly \$43,000,000, compared with imports last year of \$15,766,000.

The International Institute of Agriculture in Rome in its recent monthly bulletin says that Argentina is now playing a leading rôle in the world's grain and wheat markets, that in the last two years Argentina's agriculture has made a notable recovery, which has spread to other economic activities.

Fruit to Europe

Argentine fruit exports, especially to Europe, are increasing rapidly. And exports to the United States during the off season there are developing. The first shipment of Argentine fruit to Vienna under the new trade agreement with Austria has just reached the mid-European market. It consisted of 150 carloads of apples, which were well received. A London firm is planning to offer Argentine grapes in the Viennese off season. Argentine fruit exports began in 1920 with a shipment of grapes to New York.

Canada

Quebec legalizes collective bargaining; new law provides for regional application.

OTTAWA—It is felt here that Prime Minister Mackenzie King was opening the way, at the first plenary session of the Imperial conference in London, for subsequent definite advocacy of British Empire-United States economic cooperation when he shelved immediate consideration of defense and spoke of the wisdom of liberalized fiscal policy and lowering of trade barriers in the interests of world peace. There is every reason to believe that he will concentrate all his efforts in London on promotion of the Roosevelt idea of securing world peace through freer international commercial intercourse, beginning with freer trade within the English-speaking world.

Canada faces a definite immediate sacrifice in urging the Roosevelt plan, because it involves sharing with the United States the advantages now exclusively enjoyed by the Dominion in the United Kingdom market. The United States would again become a competitor with Canada in the export of natural



SPANISH FRUIT IN MOSCOW—Russia sends guns and clothes and food to Spain. She has to get paid. So she takes oranges from Spain and pays twice what they're worth. Then Spain can buy more guns and clothes and food.

products—wheat, fruit, lumber, meat—to Great Britain.

There is no obvious *quid pro quo* that this country could ask. Also, the advantages in the British market which Canada would sacrifice are much more dependable than benefits under the existing, or any other, trade arrangement with the United States, as the latter are subject to political changes in the United States. But the Canadian Prime Minister, who at times in the past has been accused of having his spiritual home in the United States, will not be deterred by any such considerations from going the whole way towards cooperation.

Collective Bargaining for Quebec

Quebec province, where until now industry has been comparatively free from labor unrest and where labor has not been extensively organized, has joined the growing list of Canadian provinces having collective labor bargaining laws with state protection for the interests of workers. The Quebec bill, just passed by the legislature, recognizes collective bargaining, provides for enforcement of the terms of such bargains through appeal to the provincial labor minister.

The law is to have regional application: a collective bargain will bind all employers and employees in a determined region, local conditions being taken into consideration in the terms.

The law covers wages, hours, proportion of skilled workmen to apprentices in an undertaking, and makes a general contractor responsible for observance of the agreement by subcontractors.

First part of the machinery for administering a collective agreement is to be a joint committee. The law defines the rights, privileges, and obligations of these committees. The minister of labor may appoint his own nominees to the committee in the interests of parties not subscribing to the agreement. Provision is made for lower rates of pay for defective employees. The committee may levy for its expenses up to one-half of one per cent of employees' wages and employers' payroll, but it must give a full accounting to the minister. Provision is made against intimidation to prevent unionization of employees.

Important Labor Problem

The Montreal local C.I.O. steel workers union has appealed to Ottawa and Quebec for intervention against threatened dismissal by steel mills of employees joining the international union.

While the Ontario labor problem has been temporarily settled as far as Oshawa is concerned; and though the Liberal government at Ottawa has supported Premier Hepburn in his policy of rigorous enforcement of property rights and full maintenance of open-shop principles, it is too soon to predict that Canada is for long going to have labor legislation radically more favorable to industry



MUSSOLINI, MOVIE MAGNATE—The Italian government—that is to say, Premier Mussolini—would like to home-grow the movies shown in Italy. A thriving movie industry in Italy would do two things: make for easier censorship; keep good lira at home that have been going to Hollywood. In the picture above, Il Duce lends encouragement to cinema actors by sitting in on a scene-taking.

than laws in the United States. Big industries from south of the border will need to watch Canadian mining industries for the next year to learn what Canada's long-term labor policy will be.

For the trans-Canada air service to be inaugurated this year, eight all-metal transport planes are to be ordered from California. A sample machine arrived here last week.

France

Germany snubs Mussolini, flirts with London. French newspapers are in difficulty due to rising costs.

PARIS (*Wireless*)—Business is featureless following the recent string of holidays. The Bourse has picked up again, following the recovery on the London and New York exchanges. April foreign trade, though better than March, shows a deficit for France of 1,300,000,000 francs. For the first four months of 1937, the accumulated unfavorable balance amounts to 6,200,000,000. France is hoping that an important part of this will be covered by the expenditures of the thousands of foreign tourists who are expected to visit the big Paris exposition which opens May 24.

Considerable interest is developing in the foreign situation. Foreign Minister von Neurath, of Germany, during his recent visit to Italy, apparently refused to join Mussolini in his childish campaign against Great Britain. This leaves Mussolini isolated at the very moment when all of Europe is negotiating with London during the corona-

tion visits of diplomatic leaders. Actual subjects of negotiation are not disclosed, but every European capital is aware of the importance of the talks going on behind the scenes.

In this connection, it is significant that Germany is postponing its colonial claims. While Berlin is still maneuvering with Rome to keep up the pretense for home consumption that there is real weight behind the "Rome-Berlin axis," it is perfectly plain to the rest of Europe that German officials are now eagerly courting the goodwill of London, with the hope that it will bring Germany both credits and new markets.

At the same time, Italy's about face on the Austrian question has caused Viennese officials to rush to Paris and London in an effort to win Franco-British support to keep Germany out of Austria.

Permit for Polish Jew

The French Minister of Colonies disclosed in an interview published last week in the *Petit Parisien* that he had accepted a request from the Polish government that Polish Jewish settlements be established in some parts of the French Madagascar colony, provided such an organization would mean no financial assistance from the French government. The Minister, asked whether his response would have been the same in case the German government had asked him for authorization for German immigrants to settle in French colonial territory, replied that this would have been of course the case, provided again the Germans were not to request either financial assistance or special privileges.

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moment with great difficulties due both to the rise of the cost of paper and to the rising demands of labor which have been particularly vigorous in the printing trades. The daily newspapers which were currently sold before the war for 5 centimes, and were raised in 1926 to 25 centimes and last year to 30 centimes, expect to be forced to boost their price this year to 40 centimes, possibly 50.

They find, however, some difficulty in agreeing to raise the prices due to the fact that the Socialist paper, *Le Populaire*, and the Communist, *L'Humanité*, are, for the time being, refusing to raise their prices. This is commonly explained by the fact that the government assists financially *Le Populaire* and that *L'Humanité* receives subsidies from the Soviet government. Your correspondent has been officially informed that one of the most popular and oldest national conservative newspapers, *L'Echo de Paris*, will close its doors very shortly.

Citroen, now fully reorganized, is claimed to be in full swing, working at capacity of 300 manufactured cars a day, with deliveries behind schedule.

Soviet Union

Moscow makes new drive to increase grain crop; farmers' buying power is increased. Food prices will drop.

Moscow (Cable)—Far-reaching importance is attached to the announcement this week that all collective and individual farmers who are 60 years or older and who do not have able bodied

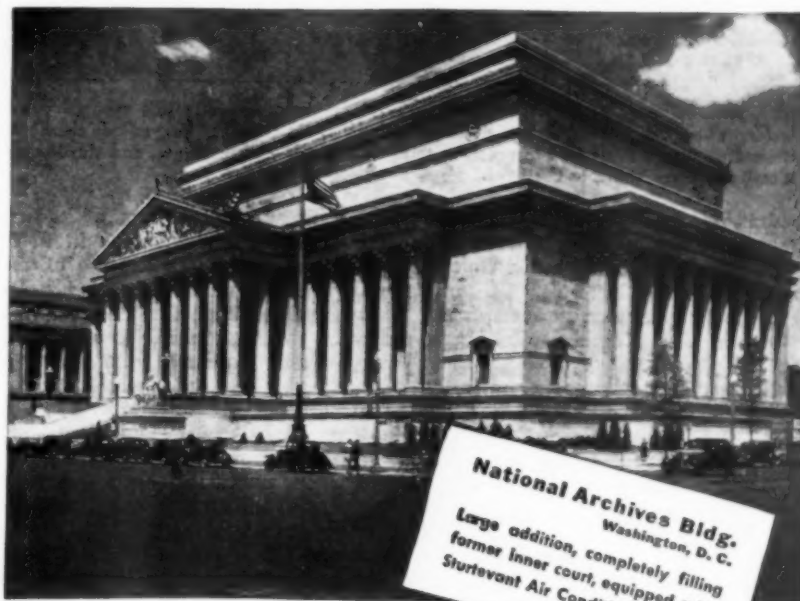


International

NEW NAZI AMBASSADOR—Dr. Hans Dieckhof, recently acting secretary of state of Berlin's Foreign Office, replaces Dr. Hans Luther as Ambassador to the U. S.



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TALE ABOUT A TAIL—Common in the rural areas of Japan is this type of prize rooster, where the hobby of the farmers consists in raising long-tailed chickens. Extraordinary care is needed to preserve the pets' luxuriant appendages, and the longer the tail, the more valuable the fowl.

children in the family are exempted from all money taxes and assessments on their possessions. The Soviet Union's population is 80% peasants.

The real significance, however, is the indication that Kremlin officials are beginning to turn their attention again to the country's food supply and to the welfare of the rural population. It means that Russia believes that its industrialization program has reached the stage where more efforts can be turned to those industries which will provide for some of the amenities of living and to the mass of the population whose social status has been neglected under the recent years of rearmament pressure.

The new edict has tremendous importance as a stimulant intended further to spur the peasantry energetically to push the program for a crop of 120,000,000 tons of grain, which is a 20% boost over the record crop of 1935. In early March of this year, the Kremlin granted other concessions to the peasantry, cancelling all tax arrears due to the state, abolishing fines for non-fulfillment of grain levies, and decreasing the rent on tractors for work carried out on collective farms.

Crops Are Good

All signs point to a bumper grain crop this year. Sowing of two-thirds of the acreage under grain is reported completed now, and favorable weather is giving the crops an excellent start. The mechanization of Soviet agriculture is proceeding apace with mechanical harvesting this year double the machine-harvested area last year.

With food prices still at the high levels of 1935, most Russians anticipate drastic price cuts this fall if crops fulfill

the expectations of Kremlin leaders. The period of discrimination in favor of city workers at the expense of the peasantry, with farmers receiving a disproportionate return for the foodstuffs they have been supplying to urban centers, is over. Collective farm income is mounting rapidly each year. Last year, it increased 19%.

The generally increased availability of manufactured goods, the more equitable allocation of these goods to rural regions, the increasing material value of the peasant ruble, and the closing of the spread between city and farm living standards are becoming obvious trends in the Soviet Union this year.

Great Britain

Market is firmer. Freer trade expected after imperial conference. Labor outlook is more serious.

LONDON (Cable)—The stock exchange opened quiet after the Whitsun holiday, but picked up on better reports from Wall Street. Labor difficulties in the coal and transport industries, however, do not encourage heavy speculation in stocks, and news from abroad is not altogether cheerful.

The gold problem is still a cloud over the market. The Spanish situation, on the other hand, is viewed somewhat more optimistically this week because of the moderate complexion of the new government. Home industrials are doing well, and overseas trade so far this year is encouraging.

The result of the British diplomatic talks with coronation visitors from the

empire and neighboring countries is awaited eagerly. It is felt some progress has been made toward a new collective security pact for Western Europe, but the Franco-Soviet tie is proving to be a stumbling block, and German relations with Italy are still a problem. In the case of both Italy and Germany, however, the need for financial assistance is bound to be an important factor in moderating their relations with London.

London is becoming aware that the major problem being discussed at the imperial conference is trade, and has begun to expect that the liberal character of the dominions' governments assures the liberalizing of the old Ottawa accords.

The labor situation in the coal industry is still critical. London bus strikers are believed to be divided as to returning pending an inquiry by a group of experts. Public opinion is a vital factor, and it is hardening against men because of their refusal to return to work pending an expert inquiry.

Cotton textiles and iron and steel manufactures made a particularly good showing in the April export returns.

Germany

Industrial output touches peak, but further expansion is limited by plant capacity and shortage of raw materials.

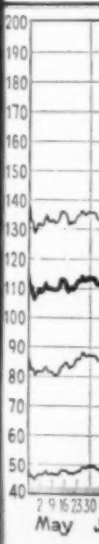
BERLIN (Cable)—Highlight of the German Institute for Business Research's quarterly report is the revelation that the value of industrial production now averages 6,000,000,000 marks against 2,900,000,000 in 1932.

Yet, further expansion is definitely limited by the almost complete utilization of existing plant capacity and the shortage of even domestic raw materials.

One encouraging symptom is the 13% gain in exports for the first quarter of this year, following the 12% gain for the whole of 1936.

Proof of the prematurity of Dr. Schacht's recent optimistic statement that there would be no new restrictions on the use of materials is the new decree prohibiting the use of leather for trunks, suitcases, ladies' bags, automobiles, and a wide range of other articles. The decree is a hard blow to the respective branches of the leather industry, and is causing the public to hoard shoes because of the fear the ban will soon extend to footwear.

The new 100% ad valorem duty on crude rubber is dictated by the desire to raise more than 100,000,000 in revenue for use in the construction of Buna (artificial rubber) factories. Following the recent increase in the gasoline import duty, it is bound to raise tire prices, thus further paralyzing the government's own motorization drive.



Money and the Markets

Business continues prosperous despite stock reversals. Steel and electric power output boom along, and construction picks up. But stock market ignores business and awaits British developments.

If you were to look at the stock market chart it might appear that the bulls had gone down something more than the three times allowed a drowning man. Nevertheless, accompanied by a few coughs and gasps, there were some lively spots this week which suggested, ever so vaguely, that it's a case of suspended animation.

Anyone who made so bold as to say that prices had touched bottom could have been relegated to the category of wishful thinkers. There wasn't anything as definite as that in the action of stocks (although bonds have been giving a good account of themselves for some time, and commodities were quite distinctly better this week). Paramount, however, is the fact that up to the present business has refused to confirm the action of the stock market by slipping.

No Business Slump

Steel still is booming along a bit above 90% of capacity. Modest recession in the rate at which orders are coming in, and the relapse in scrap prices, are minor blemishes; and labor is the imponderable factor. Electric power output shows surprisingly little sign of going into even the normal seasonal decline, and stays 12% ahead of a year ago when there just wasn't any mid-year slackening in business. Non-ferrous metal companies aren't booking much business but they're sold out so far in advance it doesn't mean anything; moreover, copper prices have recovered nicely in London, topping New York by $\frac{1}{2}$ ¢ at midweek. Building construction is picking up some of the expected momentum after a period of

Doffs Price Crown

Homestake Mining (richest gold mine in the United States) next month surrenders the distinction of being the highest-priced active stock on the New York Stock Exchange. Directors this week voted to split the shares eight-to-one. The announcement generated a $2\frac{1}{2}$ point advance to 373.

But even that sharp spurt fell short of the 544 peak in 1936. The Homestake price cycle has run counter to the general industrial stock trend—bull market from a low of 65 in 1929 to early 1936; then a bear market. Taking the price mantle from Homestake are Norfolk & Western at a "measly" 240 and Allied Chemical & Dye as the heir apparent, around 225.

The break-up of the stock will make possible a wider public distribution of a company which has been known (not entirely correctly) as a William Randolph Hearst fountain of wealth. The publisher owns around 7% of the stock.

disappointing the most sanguine prognosticators.

Yet business is being ignored. Everyone is groping for some precedent or some news development as a tipoff.

There are those who have contended for some time that the British boom has now run as far as our own did in 1929. They were watching, at the last settlement date, for some sort of crackup which might duplicate in significance the unhappy Hatry affair in 1929.

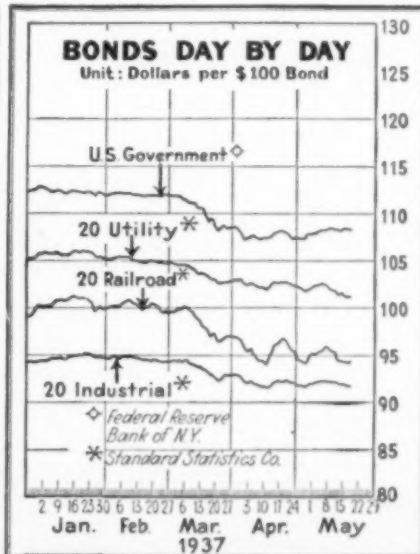
The timid, thus, were left gasping when a Paris bank stock, Union Parisienne, crashed around 100 points on Wednesday. But that was explained as an aftermath of a fight for control. London's next settlement date, May 27, may go off calmly in view of this week's recovery in British stocks and commodities.

Gold Note—Not to be taken too seriously, but certainly worth considering, is the interrelationship of the \$35 an oz. price for gold and the tendency of the world price level to rise. Every government has been deploring (a) inflation and (b) the increase of gold production (that is, every government except South Africa and Soviet Russia).

But rising price levels are a natural corrective to heavy production of gold. It may take a long time for prices to rise sufficiently to make it unprofitable to operate many mines while the \$35 per oz. price for the yellow metal is fixed. But the factor is inherent in the long term trend.

In 1930, 1931, and 1932, gold output was stimulated by falling prices, because mines could hire men at lower wages and because drills and supplies could be bought at receding prices. In short, gold mining profit margins widened. Today the wage and materials trend is upward. And with a fixed price for the product they have to sell (just like transit companies), gold miners face narrower profit margins.

Thus, over the long, long term, the problem of gold overproduction may solve itself—provided the United States



and Great Britain can hold out on the buying end at \$35 an oz. long enough (BW—May 15 '37, p. 50). Of course there is another factor. Governments look with healthy disfavor on inordinate advances in prices, fearing an inflation boom. Thus they are talking down prices and in effect are talking up gold production. A pretty pickle.

The Tide Water Fight—When Mission Corp. stockholders met in Reno, Nev., the other day they turned down the plan to pay themselves a dividend in the corporation's holding of Tide Water Associated Oil Co. stock (BW—Apr 24 '37, p. 56). That meant simply that J. Paul Getty was in the saddle in Mission Corp. and that he didn't want the stock distributed.

The reason he didn't want the stock distributed is equally easily discerned. He has had a hankering to get control of Tide Water Associated for a long time. As long as he controls Mission, and Mission in turn owns 878,000 shares of Tide Water, he retains a voice in the oil company, even if it isn't the dominant voice.

In order that there will be no mistake about who runs Mission, the Getty interests elected themselves five of the nine directors.

Remember Way Back When—There is a story that goes back to March, 1933. It was that fateful week when Roosevelt, just after inauguration, declared the bank holiday. A New York bank, highly solicitous of the cash position of its depositors, called up one of them and asked if he needed any money. If so, the bank said, he could have it on tendering a check. The depositor, having what he thought was more than enough and having faith in the ultimate reopening of the banks, said: "No. Thank you very much."

A few days later, that same depositor had misgivings about his cavalier dismissal of the cash offer, called the bank, and inquired whether he could still lay his hands on wherewithal. Politely, but firmly, he was told, "Sorry, but the government has ruled we can only give it out in emergencies." And that was that. Ultimately the bank opened, so all was well. But if the bank hadn't opened, and if the depositor hadn't refused the cash, then he would have to give it back today—based on a ruling of the U.S. Circuit Court of Appeals for the District of Columbia.

Just an Advance—After banks throughout the country received licenses to resume normal operations, the comptroller of the currency had to decide whether, in the case of closed banks, payments made depositors during the holiday would be allowed to stand as preferences in their favor. Obviously if a bank had not been licensed to re-

Banking Homilies

Ben Johnson, the Reconstruction Finance Corp's "country banker" advisor, stepped into the rôle of a sort of Administration Ben Franklin the other day when he addressed the Maryland bankers' convention. His "simple ideals" intended to "help bank management to get back to normal" comprised a few epigrams designed for, you might say, Rich Richard's Almanac. Here are a few of them:

"It's easier to justify low earnings than to explain losses.

"Bonds should be bought for income rather than for profit.

"In-and-out securities have no place in deposit banking.

"Investments should be bought by the bank rather than sold to the bank.

"Depositors have paid off many a bank's bad loans during the past seven years.

"Borrowers too often think they promise to renew a loan rather than promise to pay.

"Function of a bank is to facilitate rather than create business.

"The RFC has found many banks in the repair shop because they thought they were an adjunct of the local Chamber of Commerce."

open, and if a depositor had received funds during the period of closure, then that depositor was in the dandy position of being a preferred creditor.

The comptroller ruled that such payments must be treated as mere advances on the amounts the depositor would be entitled to receive as his *pro rata* share in final liquidation. In other words, business officially closed Mar. 3, and any payments made by the bank between that date and reopening were payments on account of ultimate imbursement. In most cases, depositors or other creditors who received the benefit of such payments have voluntarily refunded the amounts received—if the amounts proved to be in excess of their liquidating dividend.

But there was one important case. A cashier's check was issued by the Federal American National Bank & Trust Co. of Washington. It was deposited in another bank on Mar. 3. Not until just before the holiday ended, on Mar. 13, was the check presented for payment, and then it was paid. Whereupon the receiver of the Federal American demanded reimbursement, first from the payee, and second from the bank which collected the check. His demand was refused. He started legal action, with results described below.

Reversal—The Federal District Court of the District of Columbia dismissed

the complaint, ruling in effect that the bank had made an effective, bona fide payment on Mar. 3 before the holiday and therefore the payee was entitled to his money. But the Court of Appeals upset that verdict, saying:

"The effect of the President's proclamation . . . was to close all of the banks, including the Federal American Bank . . . and thus fix the rights of their depositors and other creditors at that time, subject to subsequent rescissions."

In other words, the banking holiday definitely placed all bank creditors in the same position. Claims had to be treated alike. The higher court decision affects not only depositors in banks in the District of Columbia, but also indicates the legal rights of creditors of all closed banks throughout the nation, so far as it insures equal distribution to all, with preferences or advantages to none. A decision to make one think, no doubt, of the Declaration of Independence.

Loss into Profit—Investment counsellors and customers' men might take a long leaf out of the notebook of Burleigh Grimes, manager of those mad-dashing Dodgers, the National League baseball team which collects pop bottles at Ebbets Field, Brooklyn. Mr. Grimes measures his pitchers' pitching results from a base of "normal," just as a statistician compiles an index with some point, say an average of the years 1925-25, as normal.

Thus, if a pitcher loses after he has hurled a good game, Grimes puts the battle in the "games won" column, even though the official statistics of the National League may show the Dodger in or about the second division. On the Grimes system, Mungo, the hurling ace, had seven games won, none lost when League accounts showed only four entries on the asset side and three on the liability.

At any rate, during declining markets—and the last 10 weeks or so serve as good illustration—investment advisers might call their clients' attention to their records—à la Grimes. If a stock went down, but went down less than the market as a whole, then the customer can chortle triumphantly, "See, I made you a profit." If the stock did just as well as the market—no worse, no better—then the C. M. can explain, "You didn't lose a cent." But if the stock did worse than the market, then the security analyst might do best not to say anything.

Crystal Gazing—Sober students of business and markets for a long time have questioned whether stock market movements forecast business, or whether the price of stocks followed along after business, or whether business did most likely take its cue from the swing

of stocks. Trust's Co. subject another conclusive

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of stocks. Anyhow, the Cleveland Trust's Col. Leonard P. Ayres raises the subject again, and it's probably worth another few words, whether they are conclusive or not.

The colonel feels that "the action of security markets is a more potent influence in shaping business sentiment than are all the figures of production and profits." In other words, it might be reasoned that business went to pot in 1929-30 because the stock crash destroyed all vestiges of business confidence. (It could equally easily be argued that signs of the inevitable business relapse could be noted as far back as May, 1929.)

The thesis merits some attention at a time like the present, when stock prices have had a very bad spill (nothing like 1929, of course, but disconcerting to the easily discouraged Wall Streeters). Will business be guided by the course of stock prices?

There's very little solid reason to think it should. Things have been rolling very nicely. Stocks got too high, it's true, and tumbled, but that hasn't much to do with business except that it wipes out some paper profits which later might have been translated into cash. Yet if the recovery cycle suffered a minor interruption now, no amount of argument could ever settle whether it was due to a stock dip or natural business forces.

And there this whole business winds up. Stocks may make the business recessions, or they may simply forecast events already in the cards. It is all so closely intertwined with sentiment and personal point of view that there is no answer, no matter how animated the academic discussion.

Market Comment—A deteriorating stock market has a way of doing things to morale. One brokerage house commentator says succinctly: "So far as confidence goes, we are back at 1934 levels." Those were the days of the Blue Eagle. These are the days of the Supreme Court packing proposal.

Yes-&No Proxies—When shareholders of the International Paper & Power Company hold their annual get-together in Boston next month, the absentee owners of the company will be saying their say by proxy. And it will not be the common, garden variety of proxy, known as the rubber stamp. Important business comes up for consideration, that is, the company's complicated recapitalization plan. This, however, is much less complicated than the company's numerous divisions of common and preferred shares.

To give shareholders an opportunity of expressing their views on the plan, proxies have been mailed out. They resemble a referendum ballot at a local election. Each class of stockowner will

be able to put his cross in a square labeled "yes" or "no" to indicate approval or disapproval of the plan.

Heretofore, companies would send out proxies which simply empowered the proxy committee to vote in favor of the management's proposals. The only way of indicating dissent was to withhold mailing it or to appear personally at the meeting and protest. Either way was effective provided the company required a certain percentage of ayes, say 66⅔%, to pass the resolution. But I.P.&P.'s case is different.

Special Provisions—International Paper has unusually liberal voting requirements. If one-third of the outstanding shares (of all classes) are represented at a meeting, then a quorum is deemed to be present; it, then, two-thirds of each class represented at the meeting ratify the recapitalization plan, the plan binds all shareholders.

In consequence of those provisions of the company's deed of trust (it is a Massachusetts joint stock association), a negligible proportion of any class of stock could register approval of the plan at the meeting and put it through. In order to make it possible for non-attending shareholders to ballot, the Securities & Exchange Commission suggested that stockholders be given a chance to register dissent. The "Yes" and "No" ballot is the result.

It is a precedent. Proxies not marked in either square will be null and void. Others, properly marked (just as in an election) will be tallied and the results recorded. It is possible that the innovation may be widely adopted, but whether the SEC will require it in the case of companies whose charter requires, say, a vote of two-thirds of stockholders is a question. In such a case, withholding a proxy tends to have a negating effect, in so far as it makes it more difficult for the company to muster the necessary proportion of shares in the affirmative.

"Interim" on the Dot—Still as regular as clockwork (BW—Feb 20 '37, p62), E. I. duPont de Nemours continues its policy of paying interim dividends on a quarterly basis—regular as to time, irregular as to amount. For the June 15 interim, stockholders will receive \$2 a share, a tidy boost in capital compensation from the 75¢ paid as an interim on Mar. 15.

Undoubtedly the undistributed earnings tax is a factor in the company's liberality, as the company's own revelations indicate it cannot be too profligate with its money. Indeed, new financing is contemplated—an issue of 500,000 shares of new \$4.50 preferred stock to bring in about \$50,000,000. Already preliminary discussions on flotation have been held with Morgan Stanley & Co.

Temporary cash and investments of



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the duPont microcosm were about \$73,000,000 on Mar. 31, a drop of \$2,800,000 from the year-end. On this point, the company observed that, based upon continuance of a reasonable dividend policy, cash and investments may be reduced considerably in the period ending Mar. 31, 1938, for "expansion of plant facilities and by increased working capital requirements to finance increased inventories and receivables from a general expansion of the company's volume of business."

For that reason, the company considers it "prudent" to raise additional capital at this time. Though the company does not mention the profits surtax specifically, as did Montgomery Ward (*BW*—Apr 10 '37, p 55), the implication is that earnings will be paid out in dividends and that cash will be replenished through new financing. The \$2 dividend on the 11,065,000 shares of common calls for an interim distribution of more than \$22,000,000.

Divvies—Mixed in with the good dividend news is bad. Directors of the Brooklyn-Queens Transit Corp. omitted any payment on the \$6 preferred stock, though arrears have accumulated with a monotonous steadiness. Reason: increased labor costs, higher raw material and supply prices, the prospect of rising taxes, and a fixed fare. On Apr. 1 the company paid 75¢ a preferred share—not the full rate, true, but at least something.

New England Telephone & Telegraph, one of the big American Telephone associated companies, for similar reasons climbed down from a lofty dividend perch. In the first quarter the company paid \$1.75 a share on the common, and came out with a \$280,000 dent in the profit-and-loss account. It was hoped to make up for

this debit in the succeeding months when earnings are customarily higher.

But for the second quarter the company dropped the rate back to \$1.50 a share. Explanation: Wage increases amounting to \$1,500,000 a year, plus the fact that the first quarter's cut into surplus suggested retrenchment.

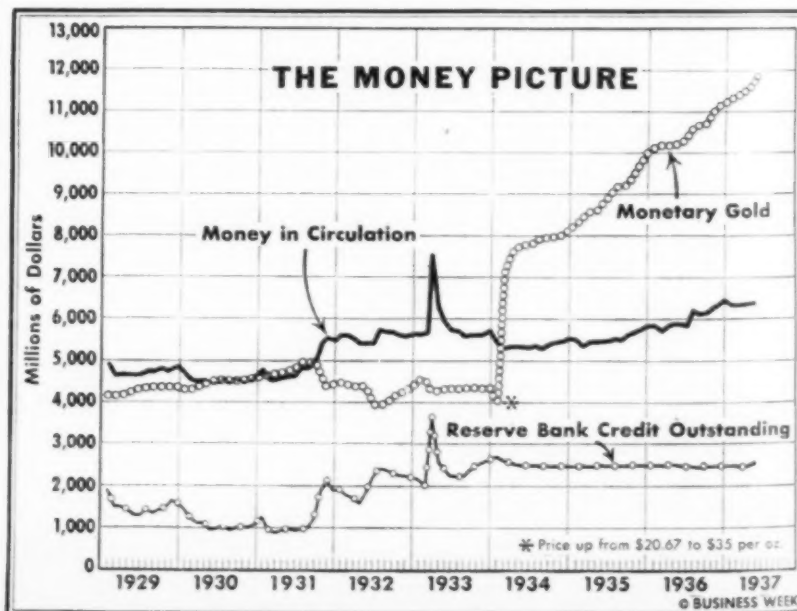
Misapprehension—Certain sections of the press, looking at the SEC's recommendations for protecting securities holders in reorganizations, have concluded that Uncle Sam is about to become investment counselor for the country at large.

Nothing could be further from the truth. In the past the SEC has always pointed out, almost with an air of panic, that it can't vouch for the new issues it allows to be sold; that it simply goes over them to assure the submission of the required facts and data.

And in its report on reorganization, the SEC also made its position pretty clear. It pointed out that a person who wants to buy a security has an element of discretion and choice in his favor, but that the person called upon to approve a plan of reorganization has no choice but to take whatever he can get.

Thus the SEC sets out to put through laws which will allow the courts, primarily, and the commission, incidentally, to see that the sucker gets just the ghost of a break.

The boys on the commission have never given any signs of being soft in the head. As a result, it may freely be predicted that they aren't ever going to set out to look for trouble to the extent of recommending or disapproving John Q. Public's choice in securities—although they may tell him, after he's stuck, that the SEC will gladly help him try to rescue a few shreds as they go through the wringer.



Editor

A CONNECTICUT Nickerson, has practiced saving more savings, death cut shrewd as a col-

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THOSE at Frank Morgan strike," said the Screen A And this dis Morgan, who actor and a vice-president permann Cor tura bitters. Wuppermann hope the co strike, distra attention fro

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Another Leavenworth There woul

Editorially Speaking—

A CONNECTICUT judge, Leonard J. Nickerson, had \$36,612.50 in 51 Connecticut savings banks. There are 22 more savings banks in the state, but death cut short Judge Nickerson's career as a collector of passbooks.

GEORGE ARENTS, JR., treasurer of the International Cigar Machinery Co., has collected 4,500 books and manuscripts dealing with tobacco. It's taken him 45 years, which means an average of 100 books and manuscripts a year. Experts say it's worth between half a million dollars and a million, but Mr. Arents doesn't care what it's worth, or what it has cost him. He says it's his hobby and he has never bothered to estimate the cost of a hobby. That's the spirit of all good hobbyists. The fiercest antique collector we ever knew never estimated the cost, nor did the most assiduous collector of chorus girls.

THOSE at a meeting last night at Frank Morgan's home were 100% for a strike," said the business manager of the Screen Actors Guild a few days ago. And this discontented employee, Frank Morgan, who is he? Not only a fine actor and a union director but also vice-president of the Angostura-Wuppermann Corp., manufacturer of Angostura bitters. His brother, A. Edward Wuppermann, is its president. Let's hope the company's employees don't strike, distracting their vice-president's attention from his union activities.

WHEN we wrote recently that we didn't know who had established the Leavenworth scholarship at Yale, we were pretty sure we'd be torpedoed out of our ignorance mighty soon. The bringer of knowledge is Ralph Leavenworth, vice-president of Fuller & Smith & Ross, advertising agency, who writes us that he himself is "a beneficiary, not of the Yale scholarship, but of a similar one at Hamilton College, Clinton, N. Y."

The scholarship came in handy for Mr. Leavenworth: his father died about that time, and his eldest brother was just out of college and another brother and a sister were in college, and all this collecting cost money, so the benevolence of the family's namesake was welcomed.

Elias Leavenworth of Syracuse," writes Ralph of Cleveland, "established the two scholarships some 60 years ago, for 'deserving young men' of that name who could qualify on their scholastic record—and that is no joke in either of those institutions—perhaps that is why the scholarships have been unclaimed much of the time."

Another reason is that the name Leavenworth is comparatively rare. There would never be a lack of proper

claimants if scholarships were offered at Hamilton and Yale for deserving young men who can qualify on their scholastic records and whose surname is Smith.

WHATEVER you may think about the Pulitzer prizes—and we don't think much of them—still it can't be denied they increase the sales of the winners. It wouldn't surprise us if "Gone With the Wind" became a best-seller.

THE State Department has let it be known that it would like to retire Ambassador Dodd from Berlin, because he speaks his mind too freely about things he observes there. Another thing he speaks his mind freely about is some of the other American ambassadors. He thinks President Roosevelt is poorly informed about what's going on in Europe, and that heavy campaign contributors shouldn't have been given ambassadorships. He not only thinks that but frankly says it to intelligent American visitors. You know what that sort of talk does to the State Department? It makes the State Department sore.

EXCLUSIVELY male for 68 years, the Association of the Bar of the City of New York has at last voted to admit women. After 68 years, any stag party goes sour.

LIFE keeps getting tougher. The psychiatrists say that a new synthetic drug, benzyl methyl carbinamine sulphate, stimulates the brain cells. The human brain is compared to a high-powered engine running on low-power gasoline. Now the new drug will supply the brain tissues with a high octane number gasoline and enable the brain to hit on all cylinders.

This is dismal news for anyone who, like ourself, has always been inefficient and has blamed it on congenital incapacity. Thousands of times we've excused ourself by saying simply that we didn't know no better. We're the fellow who could never pass the Binet-Simon test or any of its variants. People condone our shiftlessness because they know we have the lowest intelligence quotient in captivity. But high octane number brain gasoline will fix that. Our friends will keep a jug of it handy, and they'll pour a dose for us any time we show signs of relaxing into the old comfortable obtuseness. Henceforth we'll have to hit on all cylinders, and what sort of a life is that for a fellow like us?

THE Gentleman on the Financial Desk is back from New Mexico, where he had an enjoyable time. One morning, appropriately enough, he climbed a cliff-dwelling with a hangover.



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Punishing Efficiency

Fortunately there is little chance that any state will choose to destroy its whole system of mass production and distribution by carrying out the logic of the Louisiana chain store tax, which the Supreme Court has sustained by a narrowly divided vote. The court seems to be looking at the election returns, as Mr. Dooley suggested it regularly did. Apparently it would not interfere if the states passed laws to tax the chains out of existence, and the department stores and great factories as well.

The late Huey Long, brilliant and ingenious, put through his state legislature a law to tax every chain according to the number of its stores, whether situated in Louisiana or elsewhere. Under this law, one great chain is taxed \$550 for each store. It is penalized for having stores in other states. The Louisiana legislature reaches across the state borders to discourage large-scale merchandising in states which do not themselves discourage it, and which perhaps warmly approve it.

One curious feature of the decision is the court's remark that chains have the advantage of such an enormous purchasing power that in 1934 the Atlantic and Pacific Co. received rebates and other allowances equaling \$530 for each store, "or nearly the amount of the tax exacted by the statute." Last year Congress passed the Robinson-Patman Act, which forbids such allowances. Thus the court justifies the \$550 tax by pointing to a \$530 advantage which A.&P. no longer possesses.

But all this is merely incidental. The central question is whether a chain, or any other business, should be punitively taxed because of its advantages—not special privileges, mind you, but the natural advantages arising from its form of organization. The court says "the competitive advantages of a chain increase with the number of its component links," and therefore it may justly be loaded with an increasing tax. Is it not equally true that the competitive advantages of a department store or an automobile company increase with its size, and therefore its taxes, too, may increase proportionately?

Advantages! The state may tax advantages; in other words, it may tax efficiencies. That is all the decision means. And the efficiencies now

penalized are those in distribution. The producer and the consumer have long been crying out because of the tremendous spread between the cost of a barrel of oil at the well and of a gallon of gasoline at the filling station, or of a bushel of wheat on the farm and a box of breakfast food on the table. But when a way is devised to narrow this spread, those who cannot compete efficiently try to tax it out of existence. And the logic used to justify this attempt can equally justify a penalizing tax on the efficiencies of mass production.

One Safe Path: Conservatism

Charles Michelson, the shrewd publicity chief of the Democratic Party, has analyzed Republican prospects. To a considerable extent he confirms the prognosis on this page immediately after last November's election, when it was widely asserted that the Republican Party had been killed. *Business Week* said then:

"It will become increasingly clear that the Republican Party is alive and can recover its former strength. . . . The Democratic Party no longer depends on the Solid South. But the corollary of that may be that it will no longer have a Solid South to depend on. . . . It will tend to drive all conservatives into the Republican Party, whether they are Northerners or Southerners. . . . As the New Deal continues it is likely to lose much of its present support to the Republicans, provided they adopt a program that is conservative without being reactionary."

Mr. Michelson's article, in the *American Magazine*, declares there is no real chance of Republican success in 1940. But his article was probably written a couple of months ago, before President Roosevelt's Supreme Court plan had caused a serious split

in the Democratic Party. Unless the President shows more conservatism, he may drive many of his farmer and lower-middle-class followers to the Republican side in 1940. And unless he hews to the radical line, his labor followers may support a party of their own in 1940 and enable the Republicans to win.

In Mr. Michelson's opinion, the Republicans should uphold ultra-conservatism and should submit themselves to a resolute boss of the Mark Hanna or Matt Quay type; and for that job he suggests Ogden Mills. Mr. Mills is a conservative but not a reactionary. In recent lectures on the future of the Republican Party, he has conceded the value of many changes that have been made. But he firmly opposes any concessions to collectivism. He does not want the government in business.

Under Mr. Mills' program, the Republican Party would maintain a consistently conservative front, instead of yielding to the demands of pressure groups in order to snare a few votes. There is always room in this country for a conservative party; it can win control much of the time and probably most of the time. By sticking to conservatism, the Republican Party can survive and prosper. It has a better outlook than the Democratic Party, which is liable to find itself in the middle, as the Whigs did. The Whigs could not extricate themselves, and so they perished.

Ways to Protect Security Holders

After a three-year investigation, the Securities and Exchange Commission has issued a 916-page report on what's wrong with corporate reorganizations and what should be done about it. Probably not until next year will Congress act on the recommendations, which are designed to protect security holders from misnamed "protective" committees and other brands of chicanery. Several of the recommendations are obviously sound; others are debatable. On the whole the report deserves praise as an intelligent effort to correct a notorious scandal. Security holders must be protected from a repetition of the swindles they have suffered in recent years.

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